

AR05





Joseph Wolinsky 1887-1980

Joseph Wolinsky, former President and controlling shareholder of Acklands Limited, died February 6, 1980. He was actively involved with the company for more than 25 years.

Mr. Wolinsky was a man of rare determination and unusual business acumen. During his career, he owned and successfully managed numerous enterprises, including Acklands, where he laid the foundation for the building of what has become a major Canadian corporation. He also played an important role in the development of the auto parts and industrial supply distribution business in Canada.

He approached every endeavour with tremendous enthusiasm, always indifferent to setbacks, treating each accomplishment as simply another step forward in the attainment of his goals. Both an entrepreneur and a philanthropist, he showed great compassion for others and shared his success generously. His special devotion was to education and he endowed universities, colleges and high schools. Educational, religious and medical institutions bear his name in tribute to his charity and his many personal sacrifices.

He had a long, illustrious life and is survived by his wife, four children, thirteen grandchildren and eight great-grandchildren.

His many achievements and outstanding contributions are proof of what can be accomplished through good will, hard work and dedication.

Acklands' Business

Acklands is one of Canada's largest merchandisers. Eighty-seven percent of the company's business is in the distribution and marketing of automotive aftermarket products and in the related industrial equipment and supplies field.

Canada's "aftermarket" is comprised of the parts and equipment needed to service and maintain passenger vehicles, industrial, marine and outdoor power equipment. Industrial supplies are sold nationally to the country's manufacturing, mining, forestry, construction and petro chemical industries. The company

operates from a broad network of warehouse distribution centres, industrial supply branches, wholesale automotive jobbing outlets and its wholesale/retail chain of company owned and independent affiliated Bumper to Bumper auto parts stores.

The balance of Acklands' sales is derived from the marketing and distribution of home entertainment and power products. Acklands employs nearly 3500 people and supplies customers from 290 sales centres in cities and towns throughout Canada.

Annual Meeting

The Annual Meeting of Acklands Limited will be held on Thursday, May 8, 1980 at 2:00 p.m. in the Concert Hall of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada.

*Pour un exemplaire du présent rapport en français, veuillez vous adresser au Siège administratif d'Acklands.
This report is available in French. For a copy, please contact the Executive Office of Acklands.*

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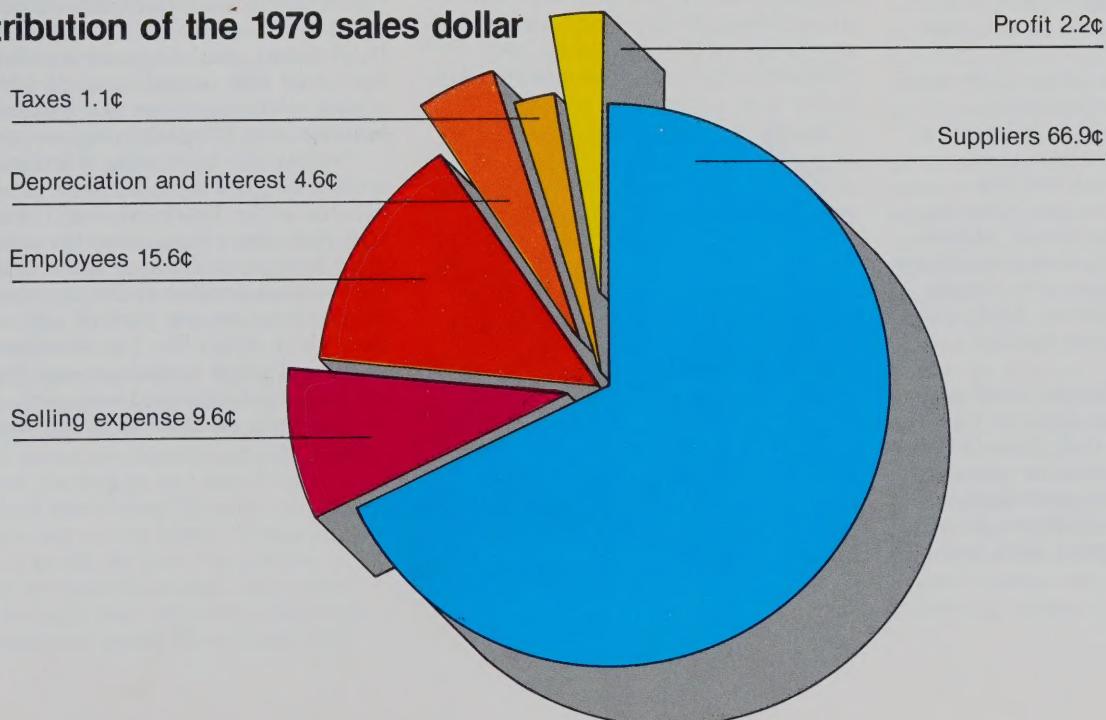
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Financial Highlights

	1979	1978
Sales	\$335,783,000	\$292,826,000
Income before taxes and extraordinary item	10,855,000	8,146,000
Income after taxes Including extraordinary item	7,265,000	5,802,000
Before extraordinary item	6,832,000	4,545,000
Earnings per common share		
Before gain on sale of fixed assets and extraordinary item	2.21	1.48
Gain on sale of fixed assets (net of income taxes)	.41	.24
Income before extraordinary item	2.62	1.72
Net income	2.80	2.22
Dividends paid		
Preference shareholders	205,000	207,000
Common shareholders	1,211,000	1,209,000
Dividends paid per common share	.48	.48
Shareholders' equity	53,883,000	48,073,000
Equity per common share	20.01	17.71
Total assets	208,285,000	187,692,000

Distribution of the 1979 sales dollar

Profit 2.2¢



President's Report

This past year produced much improved results for Acklands. Sales increased from \$292.8 million to a record \$335.8 million. Pre-tax income rose 33 percent and net income, before a gain on the sale of fixed assets, and an extraordinary item increased 49 percent from the previous year. Final net income was \$7.3 million compared to \$5.8 million and earnings reached \$2.80 per common share.

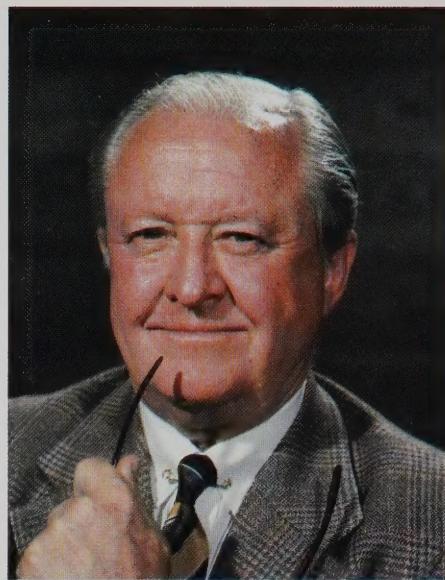
Sales exceeded expectations for the year and fourth quarter volume was strong yielding \$106 million in sales, up nearly 18 percent from the year before. Sales performance for Acklands was higher in all provinces.

Sales of automotive and industrial products amounted to \$293 million compared to \$249 million last year, an increase of 18 percent. The strongest sales gains were in western markets, but in Ontario there was a substantial improvement in profit performance. Western Automotive Rebuilders, the company's Automotive Parts Rebuilding Division, turned in a strong performance with profit increases of over 40 percent. Sales of imported hand tools and equipment by the International Division were strong. Out of \$10.9 million in pre-tax company profits, a total of \$9.5 million was attributable to the automotive parts and industrial equipment product group.

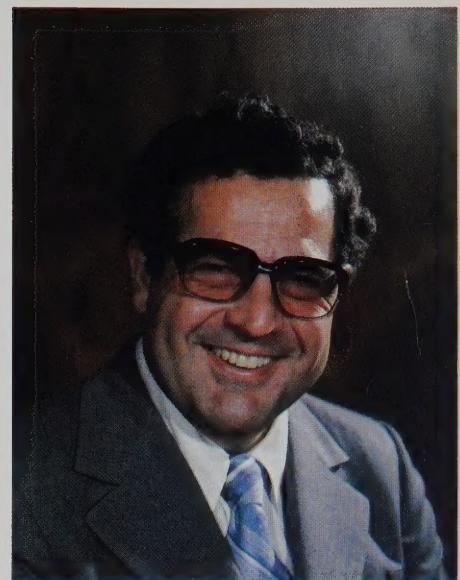
Leisure, home entertainment and electronics products accounted for 12 percent of sales volume, down from 14 percent last year.

Sales of leisure products totalled \$23.5 million, about even with the 1978 level. Profit margins in Acklands' principal leisure products division, H.C. Paul, suffered from competitive pressures and accelerated expenses. A downturn in profitability for motorcycles seriously impacted results. Subsequently, effective October 31, 1979, Acklands and Honda Motor Company mutually agreed to terminate the arrangement under which Acklands provided exclusive distribution of Honda motorcycles in Manitoba, Saskatchewan, northwestern Ontario and the Northwest Territories. Honda Power Products, distributed in Manitoba and Saskatchewan, were also part of the termination agreement. Acklands' sales of Honda products totalled \$9 million in 1979.

Surrender of the Honda franchise meant that the Leisure Division had to be restructured. The H.C. Paul Division has been moved into smaller quarters and merged with other operations to form the new Westward Power Products Division, marketing lawn care



Donald J. Wilkins
Chairman of the Board



Nathan Starr
President and Chief Executive Officer.

equipment, chain saws and small tractors. Power products outside the H.C. Paul Division contributed to profit results in 1979. With consolidation and restructuring, we are confident that the Westward Power Products Division will contribute significantly to company profits in 1980.

Combined sales of home entertainment and electronics products amounted to \$16.8 million.

The Home Entertainment Division increased sales by 23 percent to \$13.3 million. Price increases contributed to higher volume. Although results were better in 1979, this area of our business is continuing to experience difficulties, particularly in prairie markets. Overall demand for televisions and stereo equipment during the year was not strong although major increases in sales were achieved during October and November. Gross margins continued to suffer from competitive pressures.

Zenith, Acklands' principal supplier of home entertainment products, is introducing new innovative products this year accompanied by an intensive advertising campaign. This is expected to improve demand and results for the Home Entertainment Division should therefore be better in the current year.

The Electronics Division registered sales of \$3.5 million and profit increased significantly. As of April, 1980, this division will be sold. Acklands had no plans of expanding in this particular area and electronics operations had been wound-down considerably over the past several years with a view to divesting the operation.

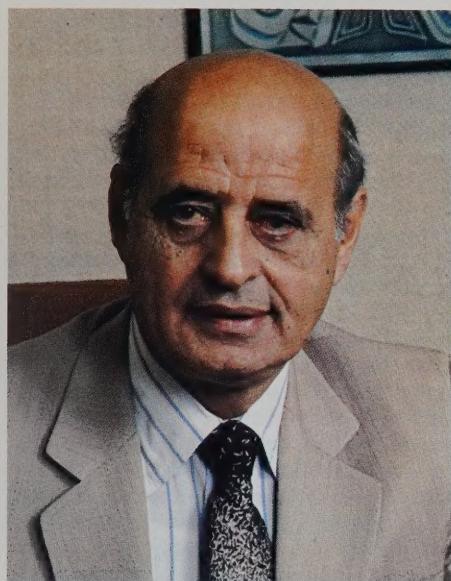
Reasons For Improvement

Profit improvements were largely the result of productivity gains and tighter expense control. As a percentage of sales, overall expenses remained about level with the year before.

Human and capital resources were more efficiently deployed following rigorous consolidation of the branch network in the past several years which eliminated most marginal and unprofitable outlets. Improved productivity also reflected the impact of capital investments for computerization and automation of many of the company's distribution facilities.

A total of 22 company-owned branches were opened in 1979 and 12 were closed, including four branches which were consolidated into Acklands' new Lake City, British Columbia facility. By year end, total company locations numbered 290, consisting of 21 warehouses, 250 automotive and industrial branches and 19 specialty operations.

The Bumper to Bumper wholesale/retail auto parts store program contributed to the improved results this year. Sales were boosted by the addition of 61 Bumper to Bumper stores bringing the total number to 229 at year end. However, we are not yet half way through an initial five year development plan for Bumper to Bumper and the full impact of improved sales and profits is not expected to be felt for some time.



George Forzley
Senior Vice-President and Chief
Operating Officer.

Corporate Objectives (1975) reviewed
In 1975, a corporate plan was adopted, aimed at attaining a higher return on investment even if this meant a slowdown in sales gains. To achieve this objective, Acklands developed a policy procedure-known as Phase Two-aimed at deliberate consolidation of operations. It called for us to redefine markets, eliminate unprofitable businesses, institute better internal controls and undertake an aggressive capital spending program in our chosen area of emphasis.

Last year was the fifth year of Phase Two and the company continues to follow the policy set forth in that plan. It includes 12 principal objectives:

1. Concentrate resources to build on strengths. In 1975 the automotive and industrial product group accounted for about 70 percent of sales. The decision was made to focus on this part of our business and gradually reduce our involvement in other areas. In 1979, auto parts and industrial supplies contributed 87 percent of sales. Concentration on automotive parts and industrial supplies is expected to continue and we anticipate that this product group will account for an even greater proportion of overall sales.

2. Eliminate activities not compatible with long range plans, financial resources and skills. The strict application of return on investment guidelines this year resulted in the sale of the Canadian Electronics Division and the restructuring of the Leisure Products group. During the past five years a number of operations have been eliminated because they were not compatible with long-term goals. Operations sold

or closed and product lines eliminated included Acklands' Record and Pre-recorded Tape Division, private label home entertainment products, white goods, a muffler installation business, a wholesale plumbing supply company, the distribution of bicycles and boats and leisure goods retailing. Other operations such as the Machine Tool Division and the Major Appliance Division have been consolidated.

Since 1975, 128 unprofitable or marginal branches have been closed, enabling a more efficient employment of assets.

3. Establish policies restricting development to areas of business which meet acceptable return on investment criteria. Since 1975, we have carefully concentrated resources within existing operations and in specific markets which offer the best profit potential. Investments have been restricted to the establishment of facilities which enhance profit or productivity. Acquisitions have been de-emphasized and in fact, no acquisitions have been made since 1976.

4. Develop a detailed program of asset realization to provide cash to finance "core businesses". As already noted, many operations were sold or closed which freed up capital for more profitable purposes. In addition, a program of divesting surplus assets was undertaken. Acklands has sold more than \$14 million of redundant assets over the last five years, helping to finance expansion of new facilities and sophisticated computer information systems.

5. Improve inventory management systems. More than half of Acklands' total assets are tied up in inventory. Inventory represents a vital part of working capital and excessive inventories place a heavy drain on cash resources. Stock must be kept at a minimum, yet it must also be consistent with the needs of customers.

Management's objective is to turn inventory 3.5 times the cost of goods sold. This has proven difficult as inventory pressures continue to grow. Product lines are proliferating in response to a new wave of technology which is reshaping the automobile and improving the productivity of industrial processes.

To meet the challenge of bettering inventory turns, Acklands has launched a two-pronged approach. The first step was to set up inventory control teams in every province and appoint a management committee to coordinate the program. Reporting to Provincial Vice-Presidents, these teams visit branches, review inventory systems and educate the branch manager on proper procedures.

The objectives of the inventory team approach are:

- (a) Provide a basic overview of the factors which affect inventory and instruct on theories and concepts which have been used to develop proper control systems.
- (b) Place emphasis on the impact of inventory control procedures on profits and return on invested capital.
- (c) Create a better understanding and knowledge of the tools available for controlling inventory levels.

Commencing in 1980, a corporate training package for inventory management was presented in every major city across Canada. An outside consultant was employed to assist in providing policy to the inventory control teams. Branch managers were instructed on inventory seasonality, timing of purchases and monthly sales ratios to inventory on hand. Guidelines were explained on eliminating speculative buying and forsaking business where stocking demands do not meet turnover requirements.

Supplier dating programs are carefully monitored as are returns to manufacturers. Surplus stock is being shifted between warehouses to locate it where demand is more immediate.

Secondly, a facsimile transmitting system to relay orders is being adopted at the warehouse level. Facsimile transmission reduces the lead time in stock replenishment by 7 to 10 days, enabling more frequent ordering in smaller quantities closer to the time when the product is actually needed. Progress was also made towards direct computer-to-computer transmission of orders to suppliers.

6. Install new data processing and computer management information systems. Four years ago, Acklands introduced a third generation program to computerize its operations. The previous system was scrapped in favour of one designed specifically for the growing needs of the company.

We identified the requirement for a more sophisticated purchasing and inventory control system to maintain proper inventory levels, monitor stock movement, provide sales and financial reports and other statistical data so necessary for management to make effective decisions. Burgeoning accounts payable and accounts receivable needs had to be met and dealt with effectively.

To meet Acklands' demands, a two-tier plan was instituted. The first priority was to install a system at all major warehouses to provide productivity improvements, inventory control and data processing capability. The second step is to develop and implement more sophisticated systems and data processing procedures once basic requirements have

been met. At this stage, on-line terminals would be installed in company-owned branches and independent jobber outlets to create a fully integrated system.

To guide implementation, steering committees were created in all provinces. These committees oversee installation and training.

Company warehouses in British Columbia, Alberta, Ontario and Quebec and parts of Manitoba are now on the computer system. In Quebec, remote electronic ordering devices in branches are now being used, providing exciting evidence of the potential for inventory reduction and productivity improvements derived from instantaneous communication with the warehouse on product availability and automated ordering.

Even at this early stage, the new system is yielding significant savings. Stock movement reports are enabling management to locate slow moving merchandise, monitor turnover by product line and evaluate the turnover of products within a product line. This is allowing management to identify lines which can be either dropped or consolidated.

7. Develop and improve internal control systems and procedures. Since 1975, Acklands' Internal Audit Department has been substantially expanded and its role as "watchdog" strengthened. Internal audit teams in every province continually monitor branch and warehouse operations. New auditing procedures have been implemented and extensive reporting put into effect. Success in this area has made a significant contribution to better profit results.

Credit control has also been tightened in response to the higher cost of carrying delinquent accounts. Dating programs have been carefully reviewed. Company operations with unsatisfactory debt collection have been assessed and penalized. Stringent collection procedures have improved the cash-to-cash cycle, essential in times of unprecedented high interest rates. Past due accounts have been substantially reduced and accounts receivable turnover has increased. Outstanding receivables now average 44.6 days, compared to an industry average of 49.7 days.

8. Develop a comprehensive plan for the company's growth in the auto parts aftermarket. Early in the last decade, extensive research was undertaken by Acklands on the future direction of the automotive parts aftermarket. Given the escalating cost of repairs and increased closings of service station and repair depots, it was clear to us that the

sale of auto parts to self installers would expand. Additionally, a reduction in the number of repair bays would offer opportunity for new forms of professional service.

As a response, Acklands successfully introduced the Bumper to Bumper wholesale/retail auto parts program designed for the do-it-yourself market. Our Auto Place program was also launched to test the concept of professional service with the sale of parts to self installers. These two thrusts, although still in the development stage, have established Acklands as the industry leader in innovation and market development.

In addition, we expanded our role in the remanufacture of engines, brakes, clutches, water pumps and electrical products to take advantage of projected increases in new parts prices. Warehouse distribution was broadened. Automotive parts jobbing outlets were located in trading areas not covered by the company's own branch system or by independent associates.

9. Develop a systematic capital investment program to increase the productivity of human resources. One priority has been to modernize or rebuild facilities in order to improve sales per employee. The most significant addition to the Acklands' warehouse system in 1979 was a new \$4 million, fully automated warehouse built in Vancouver. The existing 85,000 square foot Moto-Rite warehouse in Toronto was also redesigned and new product retrieval systems were installed. In Montreal, a new Moto-Rite facility has been established which also houses the Western Warehouse Distributor operation. The automotive parts warehouse in Calgary has also been updated.

In April of 1980, we will complete construction of a 135,000 square foot automotive warehouse in Edmonton at a cost of \$4 million which will be one of the most automated parts facilities in North America. Construction has also commenced on a \$1 million addition to the automotive and industrial warehouse in Saskatoon.

Capital spending for land, buildings, equipment and leasehold improvements exceeded \$8 million last year, nearly twice the level of 1978. This investment has substantially improved productivity.

10. Develop planned distribution and transportation systems to reduce cost. Over the past several years, Acklands has completely revamped its transportation system. A centralized freight consolidation program now coordinates company shipments within various

provinces as well as the shipments of our suppliers to warehouses and branches. Larger, less costly shipments have been substituted for smaller, multiple movements and the negotiation of new contracts with major carriers has given us better terms. As a result, substantial savings have been realized.

Another major goal was to achieve an optimum balance between common carriers and company-owned trucking systems. In all areas, we have developed new delivery systems for shipments from warehouses to branches. Increasingly, Acklands' own trucks are handling high frequency runs such as those in the provinces of British Columbia, Saskatchewan and Ontario as well as between Toronto and Montreal. The result has been improved service at lower cost.

11. Develop a private label policy to enable the company to increase profit margins. In 1976, Acklands initiated a comprehensive private label program under the Echo name. Beginning with only a handful of products, Echo now has over 600 part numbers. Our International Division has been able to bring in a number of new packaged products for sale in Bumper to Bumper auto parts outlets under the Echo name.

The company has also expanded its own "Acklands" brand for industrial products. Often, an Acklands label results from a customer request or need. Products are manufactured to required specifications. This has contributed to the development of new or improved products which have boosted company sales and provided Acklands with a powerful competitive advantage.

The Westward label for hand tools and light machinery now dominates the imported tool market in Canada. Increasingly, the Westward name is being specified for industrial application and Westward tools are now merchandised through retail stores and catalogue companies.

12. Develop a corporate identification program. A readily identifiable look was necessary for Acklands after aggressive expansion by acquisition had resulted in a myriad of different corporate identities. In 1976, the company undertook a complete corporate identity program to ensure a consistent and systematic application of the Acklands' name.

We are satisfied that these long-term goals have identified the steps necessary to provide for further progress in the 1980s. The entire company has been mobilized to ensure that our goals are fully met.

Bond Refinancing

Acklands' 11 1/2 percent First Mortgage Bonds Series B provide holders with the option of cashing in these securities on May 15, 1980. Given prevailing levels of interest, all bond-holders notified Acklands of their intention to exercise this option.

Replacement financing packages were offered by a number of financial institutions and various options were considered. The company has elected to accept a proposal from our current banking consortium. The new financing is not of an extended long-term basis, thus enabling us to remain flexible until long-term rates have stabilized. In preparation, we have explored a number of alternatives to long-term capital requirements.

Supplier Relations

Distribution costs, especially in the area of warehousing and interest expense, have outpaced increases in general business expense over the past several years. However, the discounts provided by suppliers to distributors have been static. Furthermore, the services distributors provide to manufacturers has increased with the launching of marketing programs such as Bumper to Bumper which offer substantial advantages to name brand producers. We therefore sponsored a number of meetings with our suppliers during 1979 to review the cost/benefit equation from the viewpoint of the distributor and the manufacturer. Many suppliers subsequently agreed to increase their participation to shared marketing and promotion costs incurred by Acklands in its retail endeavours. We believe we are making steady progress toward a more equitable arrangement in which both supplier and distributor share, on a more equal basis, the cost of advertising and promotional programs.

The Outlook for 1980

Corporate profits in Canada were up substantially last year despite below average growth in the economy. However, for 1980, flat or minimal growth is predicted in both profits and the economy.

High interest rates will discourage large increases in capital spending this year. Business investment is expected to grow by three to five percent compared to almost 13 percent in 1979. Though some acceleration of wage rates will occur, demand for durables will fall. Minimal growth in real disposable income is expected to depress new car sales substantially.

For Acklands, this will be a challenging year. Higher costs for borrowing, energy, transportation and warehousing will make it tougher to operate. Each one percent increase in interest rates pushes up annual borrowing costs by \$1 million. Last year, interest rate increases cost us an additional \$2 million.

But the new year also offers us opportunities. Fortunately, much of the expected capital spending will occur in the west where we are well positioned to meet industrial needs.

The anticipated decline in new car sales will mean more older vehicles to service. Motorists are now more aware than ever of the need to keep their vehicles in good working order to save on energy costs and to avoid even costlier repairs which are the inevitable results of poor maintenance.

In 1980, the do-it-yourself market will gain further acceptance in Canada as jobbers learn more about the advantages of wholesale/retail operations and as motorists become more sophisticated about doing their own repairs.

For the year ahead, we are hopeful. We believe that our sales will increase by eight to ten percent in real terms. Despite a sluggish economy, the preliminary sales results for our first quarter are encouraging.

...And for the next decade

I am truly excited about our long-term prospects. We enter the 80s with a strong sense of purpose, our objectives defined and our strategy firmly positioned. Changes forthcoming in automobile design and massive capital expenditures by key industrial sectors mean exceptional opportunities for large, efficient merchandisers like Acklands.

The oil crisis has produced some significant changes in the automotive market. Cars are becoming lighter, smaller and more fuel efficient and people are driving as much as ever before. Because the average 1980 car is half a ton lighter than its 1975 counterpart it delivers an extra 2.5 to 7.5 miles per gallon. Compared to the 1975 models, new cars are 40 percent more fuel efficient and it is estimated that if all the cars on the road were new ones, Canadian car gasoline consumption would be cut by a full 25 percent this year.

The oil crisis, then, is producing tremendous innovation. Gasoline prices are rising but motorists are receiving more value for their dollar. Car registrations increased each year in the 1970s and this trend should reassert itself in the 80s.

Over the next decade, Transport Canada forecasts a 13 percent increase in registrations, a percentage very close to historical growth rates. What will change will not only be the number of

cars, but the composition of the market. By the mid-1980s about 30 percent of the automobile population will be made up of sub-compacts, compared to 22 percent now. By that time the standard and full-size population will drop from over 50 percent to less than 35 percent. Smaller car engines work harder and run hotter and generally, these vehicles wear out faster than larger models.

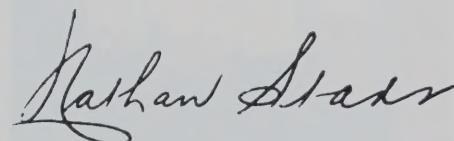
Acknowledgements

We are deeply saddened by the passing of Joseph Wolinsky, who died in February, 1980. Mr. Wolinsky bought control of Acklands in 1949 with a group of investors and ten years later, sold the company to his son Leonard and nephew Hyman Bessin. He continued as a Director of Acklands from 1959 to 1974 and served on various committees of the Board. He will always be remembered for his contribution to the early development of the company as well as for the warm personal qualities that brought him a host of friends.

Acklands lost two important members of its management team during 1979. Al Strachan, a forty year veteran of Acklands, died in July, 1979. Al started with the company as a 14 year old delivery boy and remained a part of the Acklands' team for his entire business career. The tragic death of Al Ireland, Acklands' Data Base Manager and for many years, Assistant to the Senior Vice President, was a deep and sudden shock to all his business associates.

Both men will long be remembered for their tireless efforts on behalf of Acklands and their concern for both customers and fellow employees.

On behalf of the Board of Directors of Acklands, I wish to express our thanks to employees, customers and suppliers for their help and support during the year. We would also like to thank our shareholders for their continuing faith in the company's future.



Nathan Starr

President and Chief Executive Officer

Toronto, Canada
March 3, 1980

Financial Review

Sales and Earnings

Sales and profits continued to improve for Acklands in 1979. Sales were up 14.7 percent and net income from operations increased 49.0 percent.

Record sales of \$335.8 million were achieved compared to \$292.8 million in fiscal 1978. Pre-tax income from operations reached \$9.5 million, up from \$7.3 million recorded in the previous year. Net income before gain on sale of fixed assets and an extraordinary item was \$5.8 million, or \$2.21 per common share in 1979, compared to \$3.9 million or \$1.48 per common share recorded in 1978. Gain on sale of fixed assets and an extraordinary item added \$1.5 million after tax or \$.59 per share bringing total net income in 1979 to \$7.3 million or \$2.80 per share.

Analysis By Product Group

Sales by Product Group (\$ millions)

	1979	1978
Automotive and Industrial	293.0	248.8
Power Products	23.5	23.2
Home Entertainment and Electronics	16.8	18.2
Other	2.5	2.6
	335.8	292.8

Pre-Tax Income by Product Group

(after allocation of corporate costs)
(\$ millions)

	1979	1978
Automotive and Industrial	9.5	6.9
Power Products	.0	.4
Home Entertainment and Electronics	.0	(.3)
Other	1.4	1.1
	10.9	8.1

Inventory by Product Group (\$ millions)

	1979	1978
Automotive and Industrial	93.6	79.3
Power Products	5.2	5.9
Home Entertainment and Electronics	4.9	6.6
Other	.5	.4
	104.2	92.2

Receivables by Product Group (\$ millions)

	1979	1978
Automotive and Industrial	50.3	41.9
Power Products	5.8	6.7
Home Entertainment and Electronics	2.5	2.2
Other	2.5	3.3
	61.1	54.1

Income Statement Highlights (\$ millions)

Year End

(including gain on sale of fixed assets and extraordinary item)

	1979	1978	Percentage Increase
Sales	335.8	292.8	14.7
Net income before tax	10.9	8.1	34.6
*Tax	3.6	2.3	56.5
Net Income	7.3	5.8	25.8

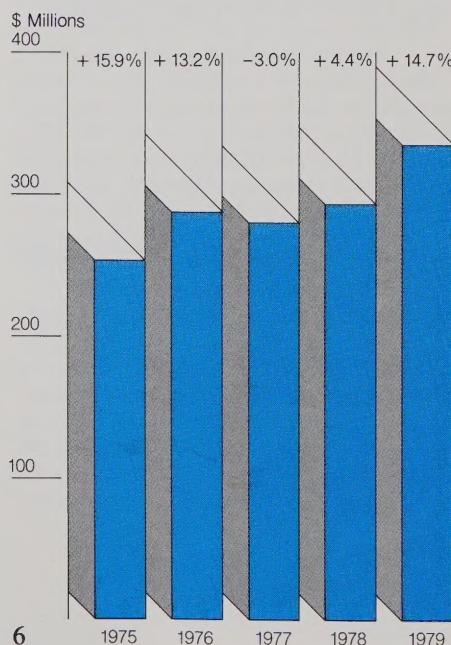
Fourth Quarter

(including gain on sale of fixed assets and extraordinary item)

	1979	1978	Percentage Increase
Sales	106.0	89.9	17.9
Net income before tax	6.5	5.7	14.0
Tax	2.1	1.7	23.5
Net Income	4.4	4.0	10.0

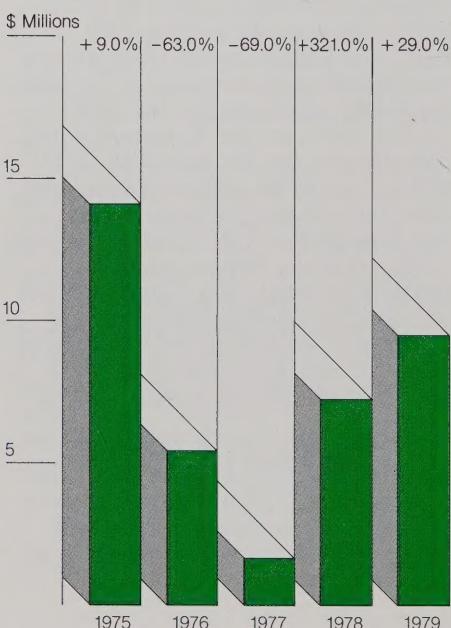
* In 1979 the effective tax rate was 33 percent compared to 28 percent in 1978. The difference was largely due to the application of prior year losses in 1978.

Sales



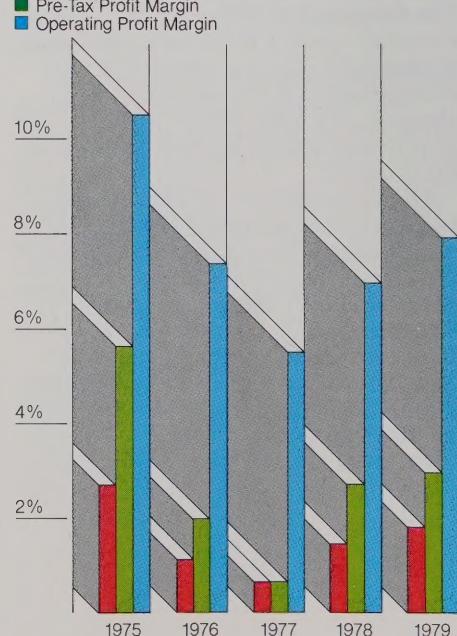
Pre-Tax Income from Operations

(Before gain on sale of fixed assets)



Profit Margins

(Before gain on sale of fixed assets, net of income taxes and extraordinary item)



Operating Expense

Net operating expense totalled \$102.3 million for the year, up 13.9 million or 15.7 percent. Overall, the Company was able to control its expenses reasonably well with a few exceptions.

In the important payroll category, the increase was only 10.6 percent, well below the overall operating expense increase and less than the increase in sales.

Selling costs moved ahead to \$13.6 million, 36 percent more than the year before. Part of the increase is due to the acceleration of advertising and promotional expenses resulting from the Company's Bumper to Bumper and Auto Place expansion programs. Advertising expenses doubled from the previous year. Data processing costs also climbed sharply.

The most significant rise in the Company's operating expense was a result of the increased costs of borrowing. Financial costs jumped approximately one full percentage point of 1979 sales. Interest paid amounted to \$13.0 million, up \$3.3 million or 34 percent from \$9.7 million in 1978. Approximately \$2 million of the rise can be attributed to rate hikes and \$1.3 million to the increased use of funds.

A year to year comparison of total expenses with offsetting fixed asset gains and other income is as follows:

	(\$ millions)		Percentage
	1979	1978	Increase
Payroll	51.8	46.8	+ 10.6
Selling Cost	13.6	10.0	+ 36.0
Premises	10.9	10.2	+ 6.9
Warehouse	5.2	4.9	+ 6.1
Administration	10.8	8.5	+ 27.0
Depreciation	2.3	2.0	+ 15.0
Interest Paid	13.0	9.7	+ 34.0
Gain on sale of fixed assets	(1.4)	(.8)	+ 75.0
Other (Income) Expense	(3.9)	(3.0)	+ 30.0
	102.3	88.3	+ 15.7

Capitalization

Long-Term Debt and Shareholders' Equity

Long-term debt at November 30, 1979 was \$31.2 million, about the same as the year before. Prior to year-end the Company arranged with its banking consortium the refinancing of \$18 million for payment of the 11½ percent first mortgage bonds which have been tendered for maturity on May 15, 1980. Details are contained in the notes to financial statements.

Total capitalization at the end of 1979 amounted to \$85.1 million. The percent of long-term debt capital to total capital declined from 39.2 percent to 36.7 percent, indicating the Company's ability in part to finance the growth of assets internally.

The ratio of long-term debt (including the value of preferred shares) to common equity improved to .68:1 from .77:1 last year.

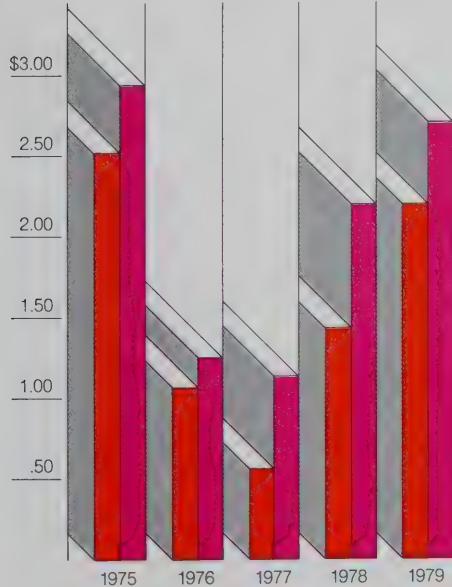
Earnings Summary (\$ millions)

(before gain on sale of fixed assets and extraordinary item)

	1979	1978	1977	1976	1975
Net income from operations	\$5.8	\$3.9	\$1.6	\$3.0	\$6.6
Less preferred dividends	.2	.2	.2	.2	.3
Net income from operations available to common shareholders	5.6	3.7	1.4	2.8	6.3
Earnings per share from operations	2.21	1.48	.54	1.11	2.57
Earnings per share including gain on sale of fixed assets and extraordinary item	\$2.80	\$2.22	\$1.16	\$1.28	\$2.99

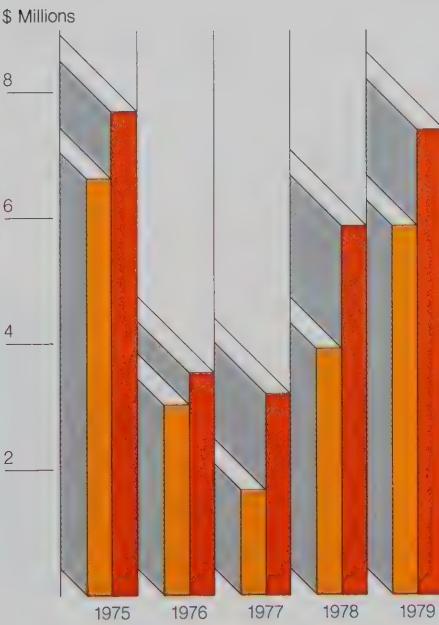
Earnings per Common Share

■ Before gain on sale of fixed assets (net of income taxes) and extraordinary item
■ Including gain on sale of fixed assets and extraordinary item

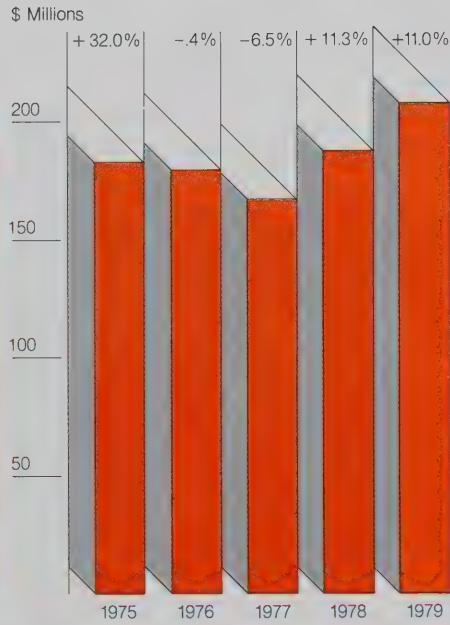


Income

■ Net income from operations
■ Total income



Growth of Total Assets



Common Shareholders' Equity (\$ millions)

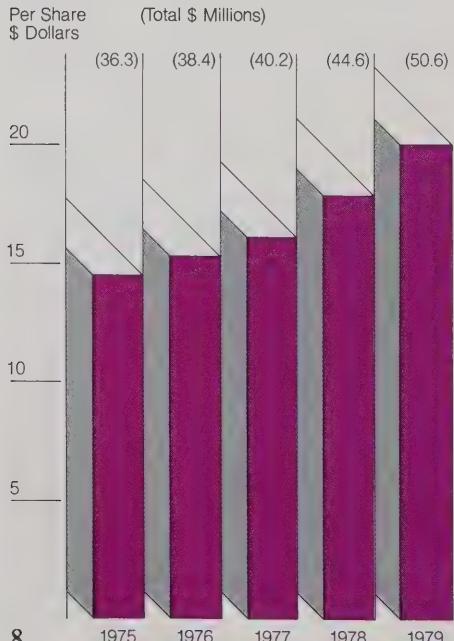
	1979	1978
Total shareholders' equity	\$53.9	\$48.1
Less Value of preferred shares	3.3	3.5
Common Equity	\$50.6	\$44.6
Equity per common share	\$20.01	\$17.71

At November 30, 1979 common shareholders' equity totalled \$50.6 million up 13 percent from the previous year. Over the last five years, common shareholders' equity has increased by 38 percent.

Return on common shareholders' equity before gain on sale of fixed assets (net of income taxes) and an extraordinary item was 11.4 percent in 1979. After the gain on sale of fixed assets and extraordinary item the return on shareholders' equity was 14.4%.

	1979	1978
Net income from operations	\$ 5.8	\$ 3.9
Total net income	\$ 7.3	\$ 5.8
Common shareholders' equity	\$50.6	\$44.6
Return on equity (operations)	11.4%	8.8%
Return on equity (Total income)	14.4%	13.0%

Common Shareholders' Equity



Assets and Capital Expenditures

Total assets at the close of fiscal 1979 were \$208.3 million, compared to \$187.7 million in the previous year, an increase of \$20.6 million. Additions to fixed assets in the year were \$8.3 million, over 70 percent more than the year before. The construction of Acklands' new industrial warehouse distribution centre in British Columbia accounted for a major portion of this year's capital expense.

Changes in Assets...(\$ millions)

Cash	(3.0)
Accounts Receivable	7.0
Inventory	12.0
Fixed Assets	4.6
Total	20.6

Capital Expenditures By Province (\$ millions)

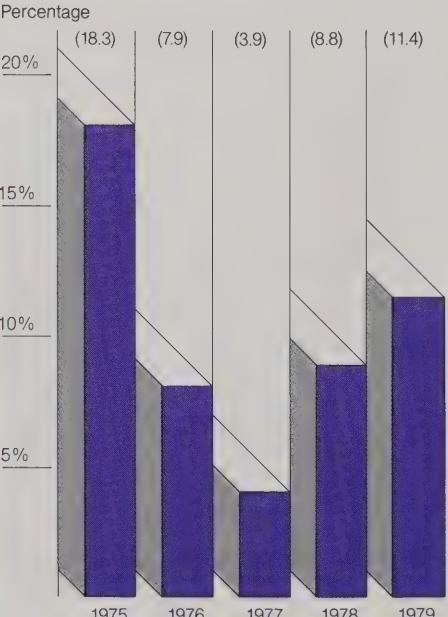
	1979	1978
Quebec	.4	.4
Ontario	1.4	.5
Manitoba	.3	.1
Saskatchewan	1.2	.6
Alberta	1.5	1.1
British Columbia	3.5	2.2
Total	8.3	4.9

Were financed by increases in... (\$ millions)

Bank Debt	10.0
Accounts Payable	4.8
Shareholders' Equity	5.8
Total	20.6

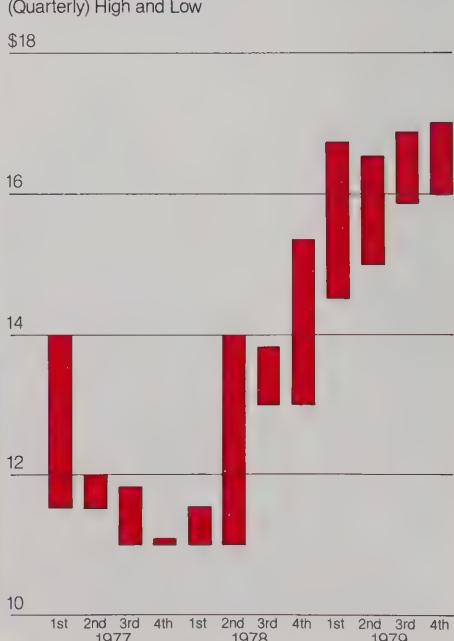
Return on Common Shareholders' Equity

(Before gain on sale of fixed assets, net of income taxes and extraordinary item)



Market Price of Common Share

(Quarterly) High and Low



Financial Position

Working capital at year-end totalled \$48.9 million, up over \$2 million from 1978.

Although working capital increased, there was a slight deterioration in the current ratio because growth in current assets was financed primarily by bank borrowing and accounts payable. The current ratio at November 30, 1979 was 1.40:1 compared to 1.43:1 last year.

Ratio Analysis	1979	1978
Asset Turnover Ratio	1.61:1	1.56:1
Fixed Assets to Total Assets	16.7%	16.1%
Inventory Turnover		
-including inter-company	3.13X	3.00X
-excluding inter-company	2.64X	2.55X
Accounts receivable turnover (trade only)	6.20X	6.04X
Return on Assets	3.5%	3.1%
Personnel Productivity Ratio	48.1%	51.3%

Asset, inventory and accounts receivable turnover all showed improvement in 1979. The personnel productivity ratio which is total salary cost to total gross profit also improved. The lower the percentage the better the performance.

Dividends

In the early part of the current year, Acklands increased the quarterly dividend on the Company's common stock from \$.48 annually to \$.60 annually. The increased amount is payable \$.15 quarterly commencing with the second quarter dividend due May 31, 1980. The Company will continue to review income distribution in light of company profits.

Common Shares Outstanding

The number of shares of common stock increased from 2,520,008 shares at year end in 1978 to 2,529,163 shares at year end 1979. The increase reflects conversion of second preference shares and convertible debentures.

Market Data

The Company's stock is listed on the Toronto, Vancouver and Winnipeg Stock Exchanges and traded under the symbol ACK.

Price Range (\$ dollars)	1979		1978		1977	
	High	Low	High	Low	High	Low
First Quarter	16 ³ / ₄	14 ¹ / ₂	11 ¹ / ₂	11	14	11 ¹ / ₂
Second Quarter	16 ¹ / ₂	15	14	11	12	11 ¹ / ₂
Third Quarter	16 ⁷ / ₈	15 ⁷ / ₈	13 ⁵ / ₈	13	11 ⁵ / ₈	11
Fourth Quarter	17	16	15 ¹ / ₄	13	11	11

Sales and Pre-Tax Profits By Quarter

Quarterly Sales (\$ millions)

	1st quarter	2nd quarter	3rd quarter	4th quarter	year
1975	47.9	63.0	70.0	74.5	255.4
1976	57.3	73.1	72.3	86.5	289.2
1977	53.7	74.0	73.1	79.6	280.4
1978	54.9	73.8	74.2	89.9	292.8
1979	61.3	83.0	85.5	106.0	335.8

Quarterly Pre-Tax Profit (\$000's) before gain on sale of fixed assets

	1st quarter	2nd quarter	3rd quarter	4th quarter	year
1975	2,152	2,952	2,996	7,147	15,247
1976	2,695	658	728	1,507	5,588
1977	(145)	112	774	1,005	1,746
1978	103	608	1,058	5,577	7,346
1979	681	1,093	1,516	6,163	9,453

**Consolidated
Balance Sheet**

As at November 30, 1979

Acklands Limited

(Incorporated under the laws of Manitoba)

Assets 1979

		1979	1978
Current Assets			
Cash		\$ 3,980,000	\$ 6,927,000
Accounts receivable		61,101,000	54,126,000
Inventories		104,198,000	92,179,000
Prepaid expenses		413,000	347,000
		169,692,000	153,579,000
Other Assets			
Investment in 50% owned companies		1,202,000	1,097,000
Mortgages and lien notes receivable and other assets		2,556,000	2,817,000
		3,758,000	3,914,000
Fixed Assets (Note 2)			
Land, buildings, equipment and leasehold improvements		51,353,000	45,351,000
Less accumulated depreciation		16,518,000	15,152,000
		34,835,000	30,199,000
		\$208,285,000	\$187,692,000

Auditors' Report

To the Shareholders of Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at November 30, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
January 31, 1980

Thorne Riddell & Co.
Chartered Accountants



Liabilities		1979	1978
Current Liabilities			
Bank advances (Note 3)		\$ 67,504,000	\$ 57,631,000
Accounts payable and accrued liabilities		46,153,000	44,028,000
Income and other taxes payable		3,615,000	2,095,000
Principal due within one year on long-term debt		3,568,000	3,024,000
		<u>120,840,000</u>	<u>106,778,000</u>
Long-Term Debt (Note 4)		31,155,000	31,041,000
Deferred Income Taxes		2,165,000	1,605,000
Minority Interest		242,000	195,000
<hr/>			
Shareholders' Equity			
Capital Stock (Note 5)		15,356,000	15,395,000
Retained Earnings		38,527,000	32,678,000
		53,883,000	48,073,000
		<u>\$208,285,000</u>	<u>\$187,692,000</u>

Contingent Liabilities and Commitments (Note 6)
Obligations under Leases (Note 7)

Approved by The Board
Nathan Starr, Director
George Forzley, Director

Consolidated Statement of Income

Year ended November 30, 1979

	1979	1978
Sales	\$335,783,000	\$292,826,000
Cost of sales, selling and administrative expenses before the following	309,673,000	272,794,000
	26,110,000	20,032,000
Deduct		
Depreciation	2,267,000	1,952,000
Interest on long-term debt	3,648,000	3,548,000
Other interest	9,420,000	6,210,000
Remuneration of directors and senior officers	1,322,000	1,038,000
	16,657,000	12,748,000
	9,453,000	7,284,000
Gain on sale of fixed assets	1,402,000	800,000
Gain on sale of subsidiary company	—	62,000
	1,402,000	862,000
Income before income taxes and extraordinary item	10,855,000	8,146,000
Income taxes (Note 8)		
Current	3,329,000	2,116,000
Deferred	694,000	1,485,000
	4,023,000	3,601,000
Income before extraordinary item	6,832,000	4,545,000
Income tax reduction realized on the application of prior years' losses	433,000	1,257,000
Net Income	\$ 7,265,000	\$ 5,802,000
Earnings per share (Note 9)		
Income before gain on sale of fixed assets and extraordinary item	\$2.21	\$1.48
Gain on sale of fixed assets (net of income taxes)	.41	.24
Income before extraordinary item	2.62	1.72
Net Income	2.80	2.22

Consolidated Statement of Retained Earnings

Year ended November 30, 1979



	1979	1978
Balance at beginning of year	\$32,678,000	\$28,292,000
Net income	7,265,000	5,802,000
	<hr/>	<hr/>
	39,943,000	34,094,000
Deduct		
Dividends declared on Second preference shares	205,000	207,000
Common shares	1,211,000	1,209,000
	<hr/>	<hr/>
	1,416,000	1,416,000
Balance at end of year	\$38,527,000	\$32,678,000
	<hr/>	<hr/>

Consolidated Statement of Changes in Financial Position

Year ended November 30, 1979

	1979	1978
Working capital derived from		
Operations	\$ 8,770,000	\$ 8,314,000
Increase in long-term debt	3,655,000	280,000
Proceeds from sale of fixed assets	2,847,000	2,092,000
Reduction of mortgages and lien notes receivable and other assets	216,000	401,000
Issue of common shares on conversion of debentures and preference shares	92,000	13,000
Proceeds from sale of subsidiary company	—	100,000
Increase in minority interest	48,000	59,000
	<hr/>	<hr/>
	15,628,000	11,259,000
Working capital applied to		
Additions to fixed assets	8,348,000	4,887,000
Reduction of long-term debt	3,541,000	3,601,000
Dividends	1,416,000	1,416,000
Purchase of second preference shares	125,000	
Increase in mortgages and lien notes receivable and other assets	124,000	698,000
Investment in 50% owned companies	23,000	17,000
	<hr/>	<hr/>
	13,577,000	10,619,000
Increase in working capital	2,051,000	640,000
Working capital at beginning of year	46,801,000	46,161,000
Working capital at end of year	\$48,852,000	\$46,801,000

Notes to Consolidated Financial Statements

Year ended November 30, 1979

1. Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition and are accounted for as purchases.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Investment in 50% owned companies

It is the company's practice to include in income its equity in net earnings of companies 50% owned and to reflect in the investment account its equity in undistributed earnings.

(d) Fixed assets

Fixed assets are stated at cost. Depreciation is recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows

Buildings	2%	Straight-line
Equipment, other than automotive	10%	Straight-line
Equipment, automotive	30%	Diminishing balance
Leasehold improvements		Over the unexpired terms of the lease

(e) Leases

In 1979, leases are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership of property to the company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is being depreciated on the same basis as described in note (d) above. Rental payments under operating leases are expensed as incurred. Prior to 1979, leases of a capital nature were not material.

2. Fixed Assets

1979 1978

	Accumulated Cost	depreciation	Net	Net
Land	\$ 5,323,000		\$ 5,323,000	\$ 5,242,000
Buildings	22,810,000	\$ 4,121,000	18,689,000	16,476,000
Equipment	17,809,000	10,739,000	7,070,000	6,372,000
Equipment under capital leases	1,813,000	140,000	1,673,000	
Leasehold improvements	3,598,000	1,518,000	2,080,000	2,109,000
	\$51,353,000	\$16,518,000	\$34,835,000	\$30,199,000

3. Bank advances

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

4. Long-term debt

1979 1978

Acklands Limited		
Note payable, with interest at prime bank rates, payable \$140,000 April 7 annually to 1981	\$ 280,000	\$ 420,000
7-1/2% Unsecured convertible debentures, Series A, maturing June 15, 1988, having a sinking fund requirement of \$500,000 per annum	6,349,000	6,438,000
11-1/2% First mortgage bonds, Series B, payable \$1,600,000 May 15, 1980 (see below)	18,600,000	20,200,000
Notes payable, with varying interest rates and maturities to 1984	289,000	354,000
Subsidiaries		
Obligations under capital leases with maturities to 1990 (note 7)	1,730,000	
6% to 14-1/4% Mortgages, agreements and notes payable in monthly instalments	7,475,000	6,653,000
	34,723,000	34,065,000
Less principal included in current liabilities	3,568,000	3,024,000
	\$31,155,000	\$31,041,000

Subsequent to November 30, 1979, the company has arranged refinancing for its 11-1/2% First mortgage bonds which have been tendered for maturity on May 15, 1980. The terms of the refinancing are such that the principal amount of the new debt will be \$18,000,000, payable in twenty quarterly instalments of \$900,000 commencing September 30, 1982; interest will vary from 3/4% to 1% over prime commercial lending rates.

Principal due within each of the next five years is as follows

1980	\$3,568,000
1981	1,061,000
1982	2,037,000
1983	4,828,000
1984	4,564,000

5. Capital stock

(a) Authorized and issued

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Non-voting second preference shares issuable in series	852,022	\$13,632,000		
Series A \$0.96 cumulative, convertible and redeemable at \$17 per share	228,464	\$ 3,655,000	215,670	\$ 3,451,000
Deduct				
Converted to common shares during the year	2,925	47,000	2,925	47,000
Purchased for cancellation during the year			8,200	131,000
	2,925	47,000	11,125	178,000
	<u>225,539</u>	<u>\$3,608,000</u>	<u>204,545</u>	<u>3,273,000</u>
Common shares without par value	3,864,299	\$13,405,000	2,520,008	11,944,000
Add issued on conversion of 7-1/2% Unsecured convertible debentures			6,230	89,000
Second preference shares	2,925	47,000	2,925	50,000
	<u>3,867,224</u>	<u>\$13,452,000</u>	<u>2,529,163</u>	<u>12,083,000</u>
				<u>\$15,356,000</u>

(b) Common shares reserved for issue

	Expiry date	Price	Number of common shares reserved
Upon conversion of 7-1/2% Unsecured convertible debentures	June 14, 1981	\$14.28	<u>444,430</u>

6. Contingent liabilities and commitments

- (a) Conditional sales agreements assigned with recourse and other guarantees total \$6,708,000.
- (b) Outstanding bank letters of credit amount to \$2,620,000.
- (c) The benefits under the company's pension plan were amended in a prior year. These amendments gave rise to an unfunded past service liability, which, at November 30, 1979 is approximately \$1,510,000 and is being paid and charged to income in equal amounts until 1989.

7. Obligations under leases

(a) Capital leases

Future minimum payments on capital leases together with the present value of the obligations, as at November 30, 1979 is as follows

1980	\$ 297,000
1981	297,000
1982	297,000
1983	297,000
1984	296,000
1985-1990	1,134,000
	2,618,000
Amount representing interest	888,000
	1,730,000
Principal due within one year included in current liabilities	148,000
Long-term obligations under capital leases	<u>\$1,582,000</u>

(b) Operating leases

The companies have commitments under leases which, after recoveries from sub-tenants totalling \$576,000, call for future net rentals of \$14,559,000. Net rentals are as follows

1980	\$2,619,000
1981	2,338,000
1982	2,037,000
1983	1,716,000
1984	1,333,000
1985-1995	4,516,000

8. Income taxes

Income taxes for 1979 have been reduced by \$1,262,000 (\$1,222,000 in 1978) because of inventory allowance deductions allowed for income tax purposes.

9. Earnings per share

(a) The calculation of basic earnings per share, after adjusting for second preference share dividends, has been made using the weighted monthly average number of common shares outstanding in each year.
(b) Fully diluted earnings per share for 1979 are as follows

Income before gain on sale of fixed assets and extraordinary item	\$1.90
Gain on sale of fixed assets (net of income taxes)	0.33
Income before extraordinary item	2.23
Net income	2.37

In calculating fully diluted earnings per share the weighted monthly average number of common shares outstanding has been calculated assuming full conversion of the convertible debentures and second preference shares on the dates of issue.

Net income used in this calculation, both before and including the extraordinary item, reflects a reduction in interest costs and the related effect on income taxes resulting from the above assumptions.

10. Comparative figures

Certain 1978 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1979.

Retirement Plan

The Acklands Group Employees' Retirement Plan has been operating since January 1, 1969. Over 2,000 employees are now members and pensions are being paid to nearly 400 retired employees and their spouses.

The Retirement Plan is valued annually by consulting actuaries. Pension contributions by employees and the Company are held in trust funds which are separate from the Company's finances.

The assets of the Acklands Pension Fund exceed \$18 million. As of the date of the last actuarial valuation of the pension plan (December 31, 1978) these assets were sufficient to provide for 91.4% of the liabilities for all benefits earned to that date. These liabilities take into account the fact that the benefits eventually received will be based on average salary at retirement rather than current salary. As described above in Note 6(c) to the Financial Statements, the Company is currently paying off the unfunded liability by making special payments into the fund over a period of years.

The actuaries have also calculated the liabilities of the Retirement Plan for benefits earned to date if the plan were terminated. The main difference between this calculation and the calculation above is that benefits under this calculation are based on current average salary rather than average salary at retirement. On this basis the pension fund assets are more than sufficient to provide for all of the liabilities for benefits under the pension plan if the plan was terminated for any reason.

Five Year Financial Summary



	1979	1978	1977	1976	1975
Sales	\$335,783,000	\$292,826,000	\$280,446,000	\$289,203,000	\$255,387,000
Depreciation	2,267,000	1,952,000	2,013,000	1,904,000	1,601,000
Interest on long-term debt	3,648,000	3,548,000	3,991,000	4,598,000	3,266,000
Net income					
Including extraordinary items	7,265,000	5,802,000	3,128,000	3,472,000	7,715,000
Before extraordinary items	6,832,000	4,545,000	3,055,000	3,305,000	7,586,000
Dividends					
Preference shareholders	205,000	207,000	215,000	245,000	254,000
Common shareholders	1,211,000	1,209,000	1,209,000	1,208,000	1,200,000
Working capital	48,852,000	46,801,000	46,161,000	46,243,000	52,060,000
Fixed assets, net	34,835,000	30,199,000	28,557,000	29,419,000	29,766,000
Long-term debt	31,155,000	31,041,000	34,363,000	36,508,000	43,193,000
Shareholders' equity	53,883,000	48,073,000	43,675,000	42,113,000	40,469,000
Total assets	208,285,000	187,692,000	168,677,000	180,436,000	181,240,000
Earnings per common share					
Including extraordinary items					
Primary	2.80	2.22	1.16	1.28	2.99
Fully diluted	2.37	1.90	1.05	1.14	
Before extraordinary items					
Primary	2.62	1.72	1.13	1.21	2.94
Fully diluted	2.23	1.51	1.03	1.09	
Dividends paid per common share	.48	.48	.48	.48	.48
Equity per common share	\$ 20.01	\$ 17.71	\$ 15.97	\$ 15.27	\$ 14.43
Common shares outstanding	2,529,163	2,520,008	2,519,098	2,517,958	2,521,908
Number of branches	290	295	309	332	348

Operations Review

An Overview

Acklands is primarily a warehouse distributor of automotive parts and industrial supplies. The company is a vital link between manufacturers and those who use their products.

Physical distribution basically breaks down into three main components. First, finding the need. Acklands accomplishes this with a sales force of over 1000 seasoned professionals specifically trained to handle a vast and complex array of products. Secondly, storage of goods. Warehouses and branches are strategically located across Canada to meet market needs quickly. Thirdly, managing the transportation function. Acklands moves thousands of products over thousands of miles to thousands of different destinations.

Acklands fulfills a critical role in Canada's economy by anticipating the needs of industry, forecasting its requirements and locating product for easy accessibility. The company also interprets market demand to the manufacturer, often acting as the supplier's transportation, warehousing, advertising and marketing department. In still another role, the company serves as the purchasing agent for its customers by assessing requirements, developing specifications and sourcing suitable products. Often, Acklands designs and arranges for production of an item specifically suited to customer needs.

The Acklands organization is a sophisticated information and communications network governing a highly organized system of warehousing and transportation facilities. The company acts as a co-ordinator, organizing the market so that buyers and sellers are both served in the most cost-efficient manner possible.

As we move into the 80s, the principal issue facing the company as a warehouse distributor and merchandiser is the rising cost of doing business.

Transportation and warehouse expense is climbing rapidly in response to fuel prices and real estate costs; record interest rates are putting pressure on profit margins and payroll costs have soared. Our response is an operating strategy emphasizing productivity of resources. This strategy is geared to intensifying marketing efforts, improving the quality of sales and increasing employee productivity and efficiency.

Operating Strategy

Intensify marketing efforts: Sales emphasis is on selling more to existing accounts and providing better service and technical assistance. Branch productivity has improved by streamlining the product mix, concentrating on a narrower range of product lines and increasing the service and availability of selected lines.

Improve the quality of sales: Expenses associated with each transaction are being carefully monitored. Marginal sales transactions whenever possible are being eliminated. Slow paying accounts are carefully considered and costly delivery services are being cut back to keep the cost of service more in line

with gross profit. Products that do not meet standards of return are either being dropped or better terms are being solicited from suppliers.

Increase employee productivity and efficiency: Employees are being schooled in profit sensitivity and better overall management techniques. Inventory training is teaching branch managers how to better determine the depth and breadth of stock on hand and the profit margin necessary to cover the real cost of carrying products. Energy conservation measures ranging from reduced temperatures in warehouses and offices to more efficient truck scheduling are being stressed.

Profile of Acklands' Operations

Business	Major Activities	Sales Percentage
Automotive	Distribution and marketing of automotive after-market products via <ul style="list-style-type: none"> • Nationwide network of warehouse distribution centres • Wholesale jobber outlets • Bumper to Bumper wholesale/retail outlets • Auto Place retail stores 	
Industrial	Distribution and marketing of industrial supplies and equipment via <ul style="list-style-type: none"> • Warehouse distribution centres • Company-owned branches 	87.2
International Division (Westward)	Importing and merchandising hand tools, light machinery and automotive accessories	
Western Automotive Rebuilders	Rebuilding automotive engines, brakes, clutches, water pumps, and electrical parts	
Power Products	Distribution and marketing of lawn care equipment, chain saws and tractors	7.0
Home Entertainment and Electronics	Distribution and marketing of televisions, stereos, and television repair parts; industrial electronic components and testing equipment	5.0
Other	miscellaneous activities	.8

Breakdown of Company Locations by Province

	Automotive & Industrial Warehouse Locations	Automotive & Industrial Branches	Other Operations	Total
B.C.	4	39	2	45
Alberta	4	61	8	73
Saskatchewan	2	36	1	39
Manitoba	3	48	4	55
Ontario	6	43	1	50
Quebec	2	23	-	25
Western Automotive Rebuilders (Plants)			3	
	21	250	19	290

Growing with the Automotive Aftermarket

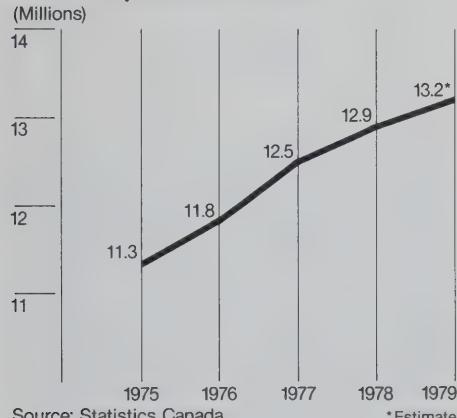
Acklands is Canada's leading distributor of automotive replacement parts for automobiles. The Company has literally grown up with the motor car and the replacement parts market and has always been an innovator in new merchandising and warehousing techniques in the aftermarket.

At the warehouse level, products are sold to both company owned and independent automotive parts jobbers who in turn sell to service stations, garages, car dealers, small fleets and industrial accounts. Warehouse distribution centres also service large national accounts and specialty chains.

Acklands' fortunes are tied very closely to the outlook for the auto parts industry and the automobile population in Canada. The future for this industry is bright, evidenced by the following:

- Car registrations continue to increase. Projections indicate a burgeoning growth in automobiles. Reasons include more women entering the work force and increased car ownership as the baby boom moves into its peak earning years. The incidence of families owning two or more cars is growing. Government studies say that by the end of the decade, 85 percent of the Canadian population will be licensed to drive and General Motors predicts that by the end of the 80s, there will be a car for every driver.

Vehicle Population in Canada (Millions)



- Further urbanization will increase miles driven, the key to higher repair volumes. Commuting is a major source of car use and as urban centres continue expanding, average commuting mileage increases. Over the next five years, commuting distances in Canada's major cities are expected to lengthen an average 17 percent, with increases of up to 40 percent in high growth areas.

- Improved gasoline mileage is offsetting price increases. Today's models average nearly 40 percent better mileage than comparable models of five years ago. Thus, average miles driven should continue to grow to about the same pace as previous years.

- Public spending on mass transportation alternatives has declined as a percentage of gross national product over the past ten years, further entrenching the automobile as the most important personal transportation mode.

- Rising new car costs are changing the structure of the market. The average car on the road is progressively older, generating more repairs. Automobile life spans are being extended and prime parts consumption years are therefore increasing.

- New vehicle prices are also encouraging more frequent rates of repair as motorists attempt to conserve an increasingly valuable family asset.

- New, high technology components are leading to a whole new generation of high cost replacement parts boosting aftermarket sales.

Service stations and repair garages are an important part of Acklands' wholesale automotive parts business and demand from this sector improved in 1979. After massive shutdowns over the past five years, service station closures appear to be subsiding. Remaining facilities are larger and more professional with better diagnostic equipment and trained staff. They are beginning to compete more aggressively and more effectively for aftermarket business.

Professional installers are serviced by automotive jobbers. Acklands has approximately 200 company owned automotive jobbing outlets and sells to most of the country's 2500 independents. The number of jobbers Acklands serves through its warehouses continues to grow as various marketing programs gain acceptance with the independent jobber. The most notable is Acklands' Bumper to Bumper wholesale/retail affiliate program which has grown rapidly in response to the increasingly greater need to sell to the growing do-it-yourself market in Canada.

Also gaining acceptance at the jobber level is the Moto-Rite method of distribution. With warehouses in Toronto, Ottawa and Montreal, Moto-Rite links independent automotive jobbers in a common warehouse program. A new facility established in Montreal will enable Moto-Rite to further penetrate the Quebec marketplace. Moto-Rite has also moved aggressively into the Maritime provinces.

Western Warehouse Distributors, Acklands' principal automotive parts warehouse, continues to grow rapidly in Western markets. Significant volume increases were achieved in every Western Warehouse outlet during the year.

Fleet business is becoming more important to Acklands' auto parts sales. The market for car rentals, corporate fleets and commercial vehicles is growing and Acklands is well positioned to take advantage of it. The company's national accounts program was also expanded during 1979. The auto parts requirements of some of the country's major mass merchandisers are handled exclusively through Acklands and chain business is expected to continue to grow in the current year.

Automotive Aftermarket

Percentage sales volume of major product lines sold by automotive parts wholesalers

Sales Rank	Product Line	Percentage of Total
1.	Remanufactured Parts & Assemblies	10.68
2.	Ignition System Parts	8.85
3.	Exhaust System Parts	8.54
4.	Starting, Generator & Electrical	7.73
5.	Paint & Body Supplies	6.28
6.	Cooling System Parts	5.30
7.	Engine Parts - New	4.85
8.	Chassis, Steering & Suspension	4.75
9.	Filter System Parts	4.51
10.	Brake System Parts	4.09
Sub-Total		65.58
All others		34.42
Total		100.0%

*Source: Automotive Service Industries Association

Moving into Retail

As part of the company's marketing intensification effort, Acklands launched two retail auto parts programs in 1977. One of these, Bumper to Bumper, combines retailing auto parts with wholesaling at jobber outlets. The other, Auto Place, is a concept which combines retail sales of auto parts to the do-it-yourself market with professional service. Both are merchandising concepts new to the Canadian market.

The key to retail over-the-counter sales of auto parts is the do-it-yourself motorist. Contraction of the number of service stations, rising labour costs and

a general trend toward self-sufficiency have joined to make do-it-yourself auto repair the fastest growing segment of the aftermarket in the past ten years. The outlook for the do-it-yourself market in the 80s shows continuing strength.

- Across North America, do-it-yourself expenditures for automobile repairs are projected to increase nearly 200 percent by the end of the decade. Continuing inflation and growing self-confidence among motorists will encourage growth.
- Most amateur mechanics are in the age group between 24 and 44, the fastest growing segment of the population.
- More women are becoming do-it-yourself mechanics. About 14 percent of the total market is comprised of females compared to less than 10 percent only two years ago.
- The Canadian do-it-yourself market is not nearly as developed as it is in the United States and historically, Canada follows the trends established in that country. In recent surveys, 52 percent of Canadian amateur mechanics classify themselves as beginners compared to 37 percent in the United States. Only about 63 percent of the Canadian sample had taken formal automotive courses compared to more than 90 percent in the U.S.

Bumper to Bumper Performance Analysis (Comparison 1979-1978)

At the warehouse level....

Number of Outlets	Percentage increase in sales	Percentage increase in gross profit
11	+ 19.5	+ 19.0

At the branch level....
(company owned)

Number of Outlets	Percentage increase in sales (average)	Percentage increase in gross profit (average)
59	+ 20.6	+ 19.2

Bumper to Bumper

Acklands' warehouse distribution centres servicing Bumper to Bumper stores on average increased their sales by 19.5 percent in 1979, 33 percent better than non-Bumper to Bumper locations. Company owned and jobber outlets converted to wholesale/retail Bumper to Bumper stores had an average sales increase of 20.6 percent, significantly higher than the overall company average.

Gross profit increases of Bumper to Bumper warehouses and company owned jobber outlets improved considerably, positive proof that the program is working.

Number of Bumper to Bumper Outlets at the End of Each Fiscal Year

		1978	1979
B.C.	Independent Company Branch	30 8	34 8
		38	42
Alberta	Independent Company Branch	49 10	65 9
		59	74
Sask.	Independent Company Branch	10 12	14 20
		22	34
Manitoba	Independent Company Branch	10 15	15 22
		25	37
Ontario	Independent Company Branch	13 9	19 10
		22	29
Quebec	Independent Company Branch	1 1	9 2
		2	11
Maritime	Independent		2
Total		168	229

A total of 229 Bumper to Bumper outlets were in operation at the end of 1979. The majority of outlets established this year will be independently owned and expansion is being concentrated in trading areas where there is no representation for Bumper to Bumper.

Bumper to Bumper wholesale/retail auto parts program....

Jobber Commitment Jobber Benefits

• Support of retail promotions	• Store identification
• Exclusivity of purchase from Acklands	• Point of purchase material, promotional items
• High standards of premise maintenance	• Cooperative advertising program
• Adequate stock of parts	• Catalogues, price sheets
• Advertising contribution based on percentage of purchases	• Financial assistance
	• Insurance
	• Inventory management system
	• Retail training program
	• Accounting system

In March 1979, Bumper to Bumper was officially launched in the Quebec market and by year end, 11 stores were in operation. Efforts are intensifying this year in that province and we expect an additional 15 jobber conversions in the important Quebec market. The potential for growth in Ontario and Quebec is considerable because most of the automotive parts jobbers in this country are located in these two areas. Furthermore, the majority of our stores are now located in western markets.

Bumper to Bumper also moved into the Maritimes last year with the appointment of Sumner Tire and Automotive as a warehouse franchise. Maritime operations are headquartered in Sumner's Moncton warehouse.

Development costs in 1979 for Bumper to Bumper were about \$1 million. Advertising expenditures for Bumper to Bumper amounted to another \$1.4 million.

Bumper to Bumper advertising appeared regularly in over 120 newspapers, with a total circulation of more than 3 million. More than 200,000 flyers a month were distributed to develop local markets. Prime time radio spots were purchased on 92 stations. Thousands of product posters were produced to advertise in-store specials and Bumper Talk, a syndicated column on maintenance and repairs appeared regularly in 110 newspapers across the country.

Intensification of advertising and promotion will continue in 1980, including broadcast of our first national television campaign.

Acklands took a leading role in the first international Bumper to Bumper convention held in Las Vegas in January of this year. The 1980 conference included a separate Canadian section attended by 45 Canadian suppliers and more than 100 independent Canadian jobbers.

Auto Place

Four new Auto Place outlets were added in 1979 bringing the total to seven, all of them in the Metropolitan Toronto area. Outlets average 12,000 square feet including retail display for more than 7,000 products and 8 to 12 service bays.

An extensive advertising and promotional campaign is leading to a strong market awareness of Auto Place. Repair bays are busy and parts sales are improving. Auto Place is still in the development stage and further analysis and experimentation is necessary before the next stage of expansion.

Becoming a Leader in Hand Tools

Westward Distributors, Acklands' importing division, is a marketer of hand tools, primarily for industry and the professional tradesmen. New product lines contributed significantly to better volume in 1979; sales reached \$11.2 million and profits were up sharply.

Canadian consumers are becoming home repair enthusiasts in growing numbers, spending an estimated \$1.5 billion annually on tools to fix and build homes, cottages, furniture, boats and automobiles. Westward is already an important supplier to this market. Steps were taken in 1979 to increase penetration through Bumper to Bumper auto parts stores which are specifically geared to merchandising to the do-it-yourself customer. An expanded range of lower priced tools was obtained from manufacturers abroad and attractively packaged for the retail consumer market.

Acklands broadened its importing activities of automotive accessories in 1979 with new products ranging from mirrors to clamps and bulbs. These parts are ideal impulse purchases in Bumper to Bumper outlets and sales of these products, under the Echo name, have been brisk.

Most imported products are vulnerable to currency fluctuations. However, despite the declining Canadian dollar, Acklands import division remained competitive, margins were higher and results improved substantially.

Expanding Remanufacturing

Western Automotive Rebuilders, located in Montreal, Toronto and Saskatoon is the largest car, light truck and industrial engine rebuilders in Canada. Under its own label, W.A.R. rebuilds about 25,000 engines a year and remanufactures thousands of brake shoes, clutches, water pumps and electrical parts. Sales in 1979 were up 11 percent to \$9.3 million and profit increased 43 percent.

In Montreal, new W.A.R. facilities are being established which will expand engine production from 20 to 30 units per day. Sales are expected to double by the end of the year.

Sales of rebuilt units are responding favourably to sharp price increases for new parts. The trend to smaller cars is also a factor as their engines are smaller, lighter, with higher RPMs and hotter temperatures, all of which shorten engine life. A tendency to hold cars longer is also a factor as this increases the likelihood of engine replacement.

Parts rebuilding is the fastest growing segment of the aftermarket. Demand is increasing rapidly, especially for light truck engines. This vehicle classification is growing at three times the rate of passenger cars.

Meeting Industrial Needs

Canadian industry spends billions annually to maintain plants, equipment and machinery. A growing portion of this business is channelled through industrial distributors. A vast array of products including lathes, tools, compressors, fasteners, abrasives and chemicals are sold by Acklands to all major industrial and manufacturing sectors.

The industrial equipment and supply business is growing rapidly in response to increased emphasis on productivity as well as safety and pollution requirements. Demand tends to be counter-cyclical. In a recession, purchasers repair machines, rather than replace them, thus increasing sales of parts. In good times, the base of capital equipment requiring parts and maintenance expands as business is more willing to spend. Also, the diversity of end-users offers protection against serious economic setbacks.

The main requisites for servicing this market are speed of response, product availability and the technical knowledge needed to fill orders for everything from abrasives to ball bearings and cutting tools. Given the expense of down-time while waiting for needed parts, many industrial purchasers are increasingly reliant upon distributors to service their requirements, rather than the original producer of the machine. Business is moving to large distributors who maintain broad inventories in branch networks using updated computer-based systems able to locate and ship products quickly. Salesmen have to be trained to handle a broad range of products and they must have the technical skills to market them. The number of distributors with the capabilities necessary to meet these demands are growing fewer. Thus, the number of participants in the business is shrinking.

Suppliers are also depending more upon distributors to achieve efficiency in marketing, warehousing and transportation. Increasingly, they are marketing their products through industrial distributors and also adding field sales people to assist in the marketing effort.



Outlook

Demand was strong for industrial equipment and supplies last year and that trend is expected to continue in 1980. Sales of industrial products are tied closely to capital expenditures, particularly for machinery and equipment. Overall capital investment intentions are somewhat lower in 1980 because of a slackening of total demand and somewhat lower utilization rates, but the outlook for Acklands' main industrial customers is excellent, especially in the West, where the major part of Acklands' industrial operations are concentrated. Fully 85 percent of Acklands' industrial sales were made in Western Canada in 1979. Furthermore, the Western economy is diversifying as, for example, in Alberta where manufacturing shipments have been increasing in the last few years at a 20 percent per annum rate.

Business investment in manufacturing is expected to rise by 23.8 percent in 1980. Mining will show a 37.7 percent gain and forest product spending should increase 38.2 percent. These planned investments will generate substantially increased orders for equipment and supplies sold by Acklands.

In Eastern Canada, demand for machine tools, equipment and industrial supplies is exceptional. Huge capital spending programs are in progress to produce a new generation of automobiles to meet government mandated fuel efficiency and safety standards. Similar retooling is taking place in the aerospace industry. These developments are contributing to better sales and profit results for our Eastern industrial operation. Machine tool sales in Ontario were especially buoyant last year.

Projected Business Capital Expenditures by Acklands Major Industrial Customers (\$ millions)

	1980 Forecast
Agriculture, fishing, trapping & forestry	4,975
Mining, petroleum & gas production and pipelines	6,592
Manufacturing	8,819
Transportation & communication	5,368
Utilities	6,599
Other	9,851
Total	42,204
Energy as a proportion of total (%)	31.3

*Energy = mining, petroleum & gas production and pipelines + utilities

Source: Wood Gundy Limited

In Quebec, where Acklands' industrial operations are relatively undeveloped, a program to establish combination automotive-industrial branches is being considered. We believe this market has enormous potential for growth.

In Western Canada, Acklands' key industrial market is the natural resource sector. As conventional sources of energy continue to dwindle, more capital will be spent on sourcing alternatives in the 1980s, much of it for tar sands and heavy oil projects in Alberta.

In Saskatchewan, energy exploration and production should double by the end of the decade. This province con-

tains some of the world's richest deposits of potash and uranium for which demand exceeds supply. Lead times for production are lengthy and capital spending is heavy. Acklands is expanding its role in the industrial supply market in Saskatchewan, to service industrial requirements. Two new branches were established in 1979 and more are planned.

Mining activity is increasing in response to higher world metal prices. In Manitoba, many companies are intending to spend twice as much in 1980 as in 1979. In British Columbia, mining activity is also accelerating and the forest industry is spending up to \$2 billion for modernization and expansion in 1980 to take advantage of a strong pulp and paper market. These developments present Acklands with solid opportunities to boost sales.

Responding to Opportunities

Our strength as an industrial supplier lies in part in recognizing new opportunities. Two current examples are welding equipment and refrigeration.

We strengthened our position as a distributor of welding supplies in 1979 by introducing a new semi-automatic wire feeder for pipe welding which is being marketed under the Acklands label. This product marks a breakthrough in welding technology and it is designed to operate under severe weather conditions.

The production of this equipment typifies our efforts in product research and development. The need was first assessed. Next, welders engaged in pipeline and pressure welding were con-



tacted to provide specifications for the equipment. Then, the equipment was designed and tested under field conditions. Finally, Acklands arranged for the manufacturing of the wire welder and undertook the marketing program.

In commercial refrigeration equipment, we are taking advantage of the Western building boom, especially in Calgary and Edmonton, which currently have over \$1 billion worth of construction in progress. This activity has created strong demand for refrigeration equipment and servicing. Sales last year were strong and industry surveys indicate dollar volume is expected to rise sharply in 1980.

One of our proudest achievements in 1979 was the completion of our Lake City industrial warehouse in Vancouver. At 140,000 square feet this facility is three times the size of a typical industrial complex but orders can be processed three times as fast. Computerized unmanned carts move automatically to the proper loading station to fill product orders. There are 23 such loading zones and the 180 carts are designed to roll right into semi-trailer delivery trucks. The new facility provides exceptional customer service and reduces manpower expenses.

The 80s will be a decade of innovation. New manufacturing and industrial processes will be needed to conserve resources and improve productivity. Acklands is responding to these developments.

Power Products

Acklands' Power Products Division is involved primarily in the warehousing and marketing of lawn care equipment, chain saws and small tractors.

Inflation, high energy costs and pressure on discretionary disposable income has had an impact on consumer expenditures in this area. Overall demand was weaker in 1979, but the restructuring of this division and an accelerated marketing thrust this year, should improve the performance picture.

New lawn care products have been introduced ranging from lightweight, shovel-like snow throwers to thin-walled garden hoses that wind up into a compact plastic case. More new "home and garden" products are planned.

Sale of chain saws last year were steady, after a 60 percent volume increase in 1978. The consumer market for chain saws, rather than the professional logger or agricultural market is where major growth is occurring. With the price of home heating fuel skyrocketing, wood burning stoves are experiencing a renaissance. This has given rise to an explosive new market for electric and gasoline powered saws.

Small tractors are marketed by Acklands for home and light farm use. Models range from 13 to 33 horsepower and are diesel-powered. All are available with a wide range of implement accessories. These top-of-the-line machines were exceptionally well received last year. New features combined with improvements in operating comfort and convenience have added to their saleability.

Home Entertainment Products

Zenith Radio is Acklands' principal supplier of televisions and audio home entertainment systems. Unit sales were up slightly last year, counter to industry figures which showed a decline in volume. Average unit selling prices were higher for every screen size.

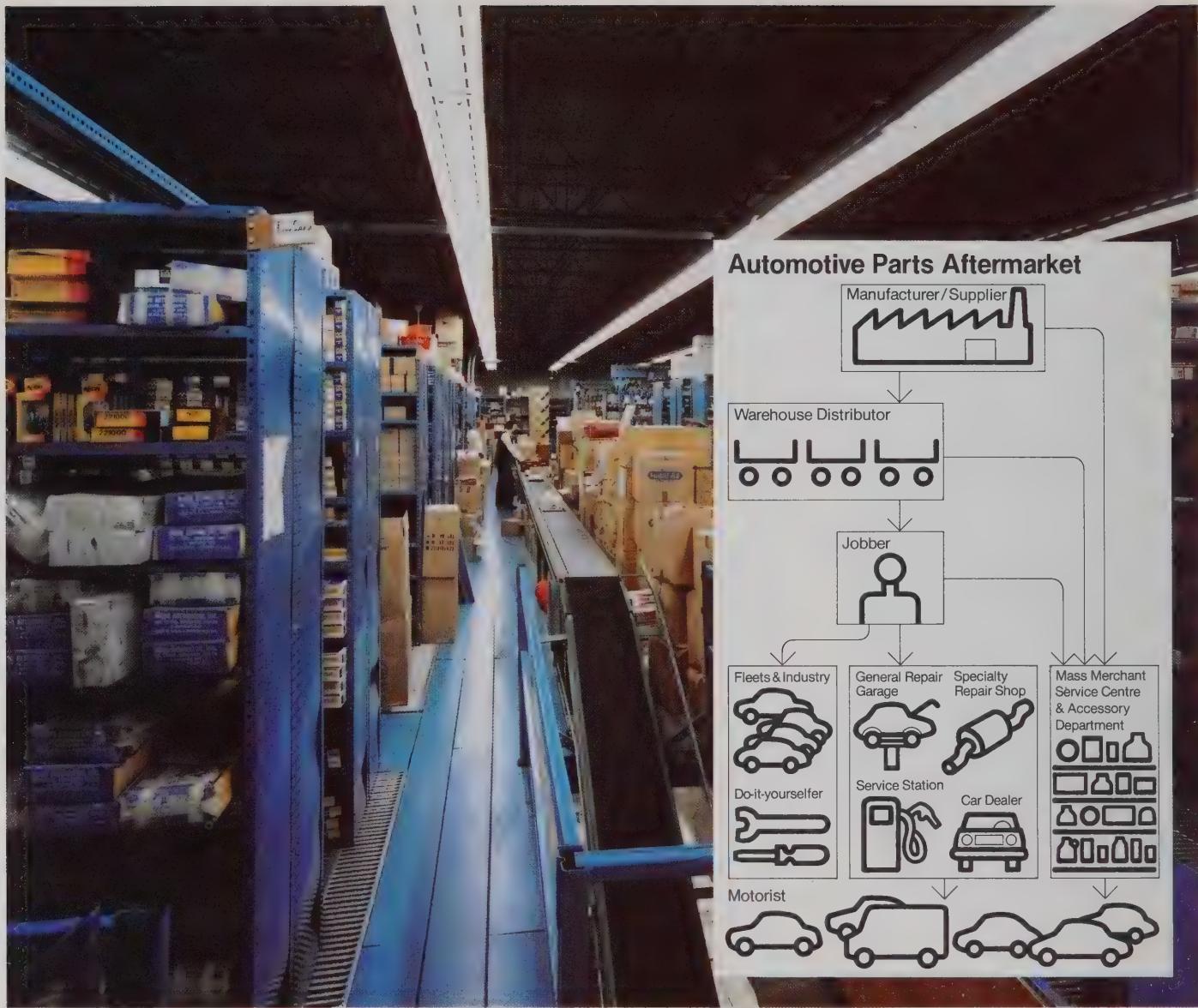
Some T.V. models and audio products were in short supply in 1979, which inhibited sales, but availability of products is not expected to be a problem this year.

Zenith introduced 52 new colour T.V. models in five screen sizes for 1980, most of which are available in Canada. 36 of the 52 are the revolutionary System 3 modular units. Included in the 1980 line is the new 105 channel micro-processor-based tuning system available in both the set and remote versions. Also in the 80 line is electronic power sentry, a new system of voltage regulation.

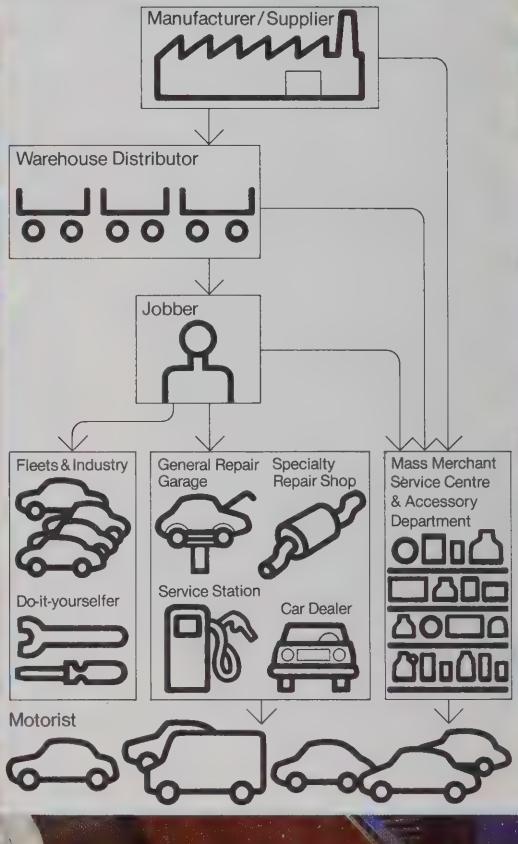
Demand for video cassette recorders is expected to be strong this year. The new Zenith model offers five hours of recording time, the longest playing time of any recorder. This advantage is expected to put the product in the forefront of consumer demand. Audio products will also be heavily promoted this year in an attempt to gain a greater market share.



The Distribution Process



Automotive Parts Aftermarket



Warehouse Distribution

Meeting the needs of customers requires quick response. The following pictorial sequence shows the method of order-fill out of Acklands' Lake City, Vancouver warehouse. The process depicted here is set in motion by an order from an Acklands' sales representative for delivery to one of the company's own combination automotive/industrial branches.

The order is presented to an inside sales administrator...

...And written up for proper processing

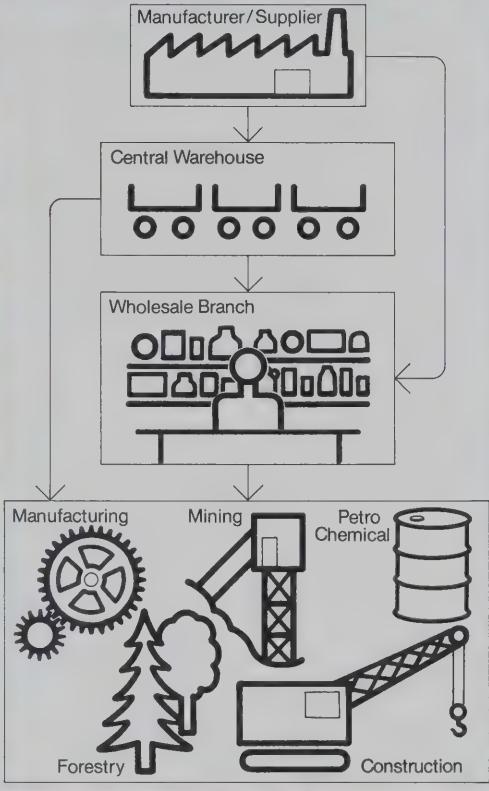
...Then fed into the computer.

The computer prints out a "pick ticket" sorting the order to the sequence from which the products will be picked.





Industrial Supplies & Equipment



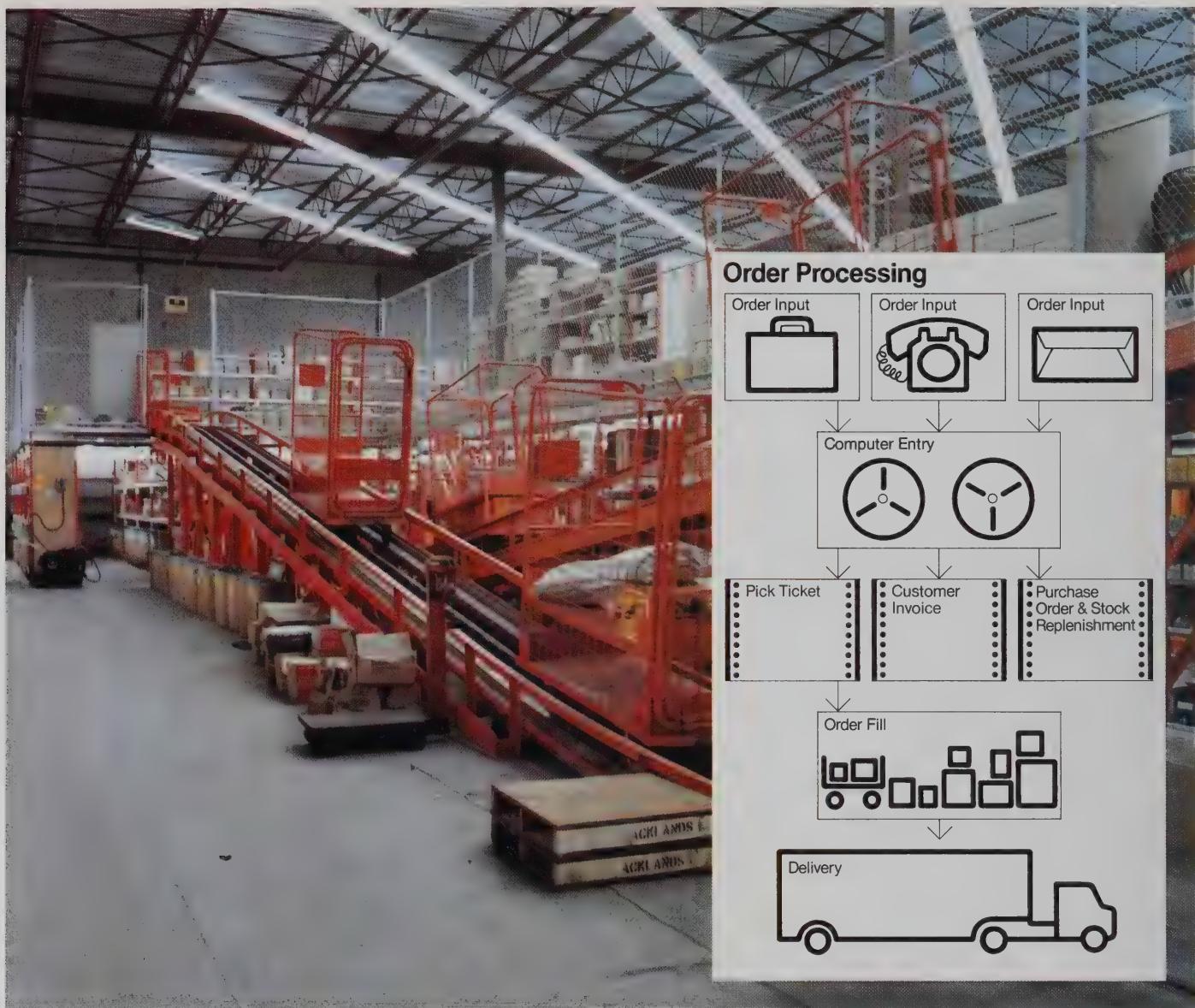
One part of the ticket goes into the warehouse. Computerized unmanned carts with electronic eyes are programmed to move to proper loading stations.

Meanwhile, another copy of the ticket goes to administration for simultaneous customer invoicing, credit checks and stock replenishment.

Back in the warehouse, the cart "snakes" through the aisles, automatically stopping at designated points.

An electronic wire controls the steering and guides power lift trucks through the aisles to retrieve heavier items.





Carts move right up to the loading bay and into an Acklands semi-trailer truck.

Each truck holds 24 carts for prompt customer delivery.

The order arrives at its destination in a matter of hours.

A capsule view—





Of the many products carried by a typical Acklands outlet



A customer makes a purchase



—and walks out the door.
Mission accomplished? Not quite. Acklands guarantees and services everything it sells.



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Gillis & Warren
Major Appliances
Maurice Rousseau
Modern Automotive Warehousing
Moto-Rite
Regent Automotive
Taylor, Pearson & Carson
T.P.C. Turfcare
Westair Sales
Western Automotive Rebuilders
Western Warehouse Distributors
Westward Distributors
Westward Power Products

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Maurice Rousseau Et Cie

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Corporate Transportation Manager

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Comptroller

Allan R. Smith
Assistant to the Senior Vice-President
and Bumper to Bumper National
Co-ordinator

Allan Stambaugh
General Manager, Acklands Alberta

E. Roland Williams
Assistant General Manager,
British Columbia

Corporate Data

Auditors
Thorne Riddell & Co., Winnipeg

Transfer Agents and Registrars

Common Shares
The Canada Trust Co.
Vancouver, Winnipeg, Toronto
and Montreal

**Second Preference Shares Series A and
7½ series A Debentures**
The Crown Trust Company
Vancouver, Winnipeg, Toronto
and Montreal

Counsel
Sokolov, Klein & Company, Winnipeg

Fiscal Agents
Burns Fry Limited, Toronto

Share Listings
Toronto, Vancouver and Winnipeg Stock
Exchanges
Ticket Symbol: ACK

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**INTERIM REPORT
TO SHAREHOLDERS**
Six Months ended May 31, 1979



	1979	1978	
Working Capital derived from Operations	\$ 2,221,227	\$ 1,379,239	Fonds de roulement provenant de:
Proceeds from sale of fixed assets	617,860	162,750	Exploitation Produits de la vente d'immobilisations
Increase in long-term debt	1,809,558	—	Augmentation de la dette à long terme
Decrease in investment in 50% owned companies	96,792	—	Diminution des placements dans des compagnies possédées à 50%
Issue of common shares on conversion of debentures	<u>34,000</u>	<u>—</u>	Emission d'actions ordinaires sur conversion de débentures
	<u>\$ 4,779,437</u>	<u>\$ 1,541,989</u>	
Working Capital applied to Additions to fixed assets Reduction of long-term debt Dividends paid Purchase of second preference shares Increase in mortgages receivable and other investments	\$ 3,802,284	\$ 1,822,531	Fonds de roulement appliqués à:
	2,392,195	2,789,063	Additions aux immobilisations
	708,735	708,106	Réduction de la dette à long terme
	71,780	—	Paiement de dividendes Achat d'actions privilégiées de second rang
	<u>76,668</u>	<u>202,742</u>	Augmentation des hypothèques à recevoir et autres placements
	<u>\$ 7,051,662</u>	<u>\$ 5,522,442</u>	
Increase (decrease) in working capital at beginning of period	\$ (2,272,225)	\$ (3,980,453)	Augmentation (diminution) du fonds de roulement
Working capital at end of period	<u>46,800,580</u>	<u>46,160,555</u>	Fonds de roulement au début de la période
	<u>\$ 44,528,355</u>	<u>\$ 42,180,102</u>	Fonds de roulement à la fin de la période



Consolidated Statement of Changes in Financial Position

Six month period ended May 31, 1979 with comparative figures for 1978 (unaudited)

Etat consolidé de l'évolution de la situation financière

Période de six mois terminée le 31 mai 1979 avec chiffres comparatifs pour 1978 (non vérifié)

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Working Capital applied to Additions to fixed assets Reduction of long-term debt Dividends paid Purchase of second preference shares Increase in mortgages receivable and other investments	\$ 3,802,284	\$ 1,822,531	Fonds de roulement appliqués à:
	2,392,195	2,789,063	Additions aux immobilisations
	708,735	708,106	Réduction de la dette à long terme
	71,780	—	Paiement de dividendes Achat d'actions privilégiées de second rang
	<u>76,668</u>	<u>202,742</u>	Augmentation des hypothèques à recevoir et autres placements
	<u>\$ 7,051,662</u>	<u>\$ 5,522,442</u>	
Increase (decrease) in working capital at beginning of period	\$ (2,272,225)	\$ (3,980,453)	Augmentation (diminution) du fonds de roulement
Working capital at end of period	<u>46,800,580</u>	<u>46,160,555</u>	Fonds de roulement au début de la période
	<u>\$ 44,528,355</u>	<u>\$ 42,180,102</u>	Fonds de roulement à la fin de la période

July 4, 1979

ACKLANDS LIMITED
and subsidiary companies



ACKLANDS LIMITÉE
et ses filiales

Executive Office

100 Norfinch Drive
Downsview, Ontario
M3N 1X2

Telephone (416) 663-7900

Changes in Financial Position

Cumulative figures for 1978 (unaudited)

Chiffres comparatifs pour 1978 (non vérifié)

chiffres comparatifs pour 1978 (non vérifié)

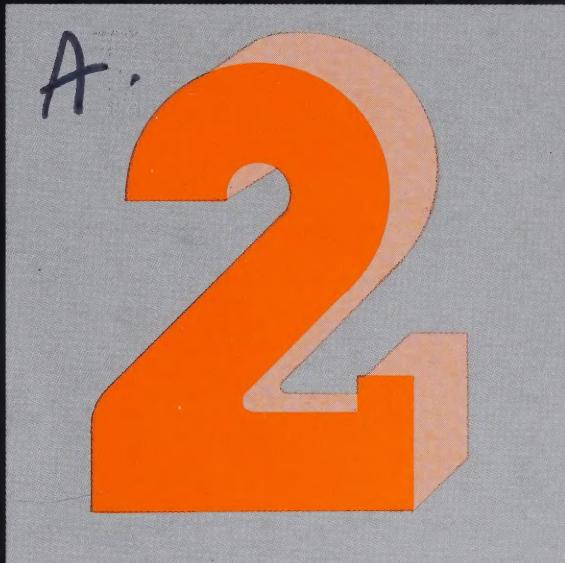
1978

	Fonds de roulement provenant de:
\$ 1,379,239	Exploitation
162,750	Produits de la vente d'immobilisations
—	Augmentation de la dette à long terme
—	Diminution des placements dans des compagnies possédées à 50%
—	Emission d'actions ordinaires sur conversion de débentures
\$ 1,541,989	
	Fonds de roulement appliqués à:
\$ 1,822,531	Additions aux immobilisations
2,789,063	Réduction de la dette à long terme
708,106	Paiement de dividendes
—	Achat d'actions privilégiées de second rang
202,742	Augmentation des hypothèques à recevoir et autres placements
\$ 5,522,442	
\$ (3,980,453)	Augmentation (diminution) du fonds de roulement
46,160,555	Fonds de roulement au début de la période
\$ 42,180,102	Fonds de roulement à la fin de la période

le 4 juillet 1979

INTERIM REPORT TO SHAREHOLDERS

Six Months ended May 31, 1979



RAPPORT TRIMESTRIEL AUX ACTIONNAIRES

Pour les six mois terminés
le 31 mai 1979

HIGHLIGHTS/POINTS SAILLANTS (\$'000)

	1979	1978
• Sales Ventes	\$ 144,273	\$ 128,727
• Income before taxes Revenu avant impôts sur le revenu	1,876	779
• Net income Bénéfices nets	1,194	545
• Earnings per common share Bénéfices par action	\$.43	\$.18

To Our Shareholders

The positive trend established in the third quarter of last year continued for Acklands in the six-month period ending May 31, 1979.

Sales were \$144.3 million, up 12 percent from \$128.7 million in the first half of 1978. Net income reached \$1.2 million in the first six months of 1979, more than double the \$545,000 registered in the comparable period of 1978.

Earnings per share from operations were 40¢ for the first half of this year, an increase of 150% over last year's 16¢. Gain on the sale of fixed assets of \$101,000 or 3¢ per share brought total per share earnings to 43¢ for the period.

Demand for auto parts was buoyant, and sales of industrial equipment and supplies were up considerably. These products achieved a sales increase of nearly 16% over last year.

The upward trend is continuing as Acklands goes into the second half. A noticeable upward momentum is being reported by our operations across the country and if this is sustained, 1979 will be a record sales year.

Acklands' Bumper-To-Bumper program is progressing at a rapid pace, with more than 200 outlets now open. Sales are strong and a national radio campaign launched in March appears to be working.

Increased efficiency of operations is also contributing to the improved results. The computerization program is progressing on schedule. Two of Acklands' Vancouver warehouses are on line and the system is being successfully implemented in Alberta, with little disruption to operations.

The new Vancouver warehouse is fully operational. It consolidates five previously separate units into one large facility using the very latest in automated handling equipment. Another such facility is now being constructed in Edmonton. These capital improvements in distribution systems and facilities are helping to cut costs and boost productivity.

Overall, management is encouraged with the results to date. The strategy outlined in the 1978 annual report to improve efficiency and profits is proving successful and the prospects for continued improvement appear to be good.

On Behalf of the Board,

Nathan Starr

President and Chief Executive Officer

Executive Office
100 Norfinch Drive
Downsview, Ontario
M3N 1X2

July 4, 1979

Consolidated Statement of

Six month period ended May 31, 1979 with com

État consolidé du revenu

Période de six mois terminée le 31 mai 1979 avec

	1979
SALES	\$ 144,272,823
Cost of sales, selling and administrative expenses before the following	135,152,747
	9,120,076
Deduct	
Depreciation	909,470
Interest on long-term debt	1,955,665
Other interest	4,477,187
Gain on sale of fixed assets	(101,509)
Interest of minority shareholders	2,839
	7,243,652
Income before income taxes	1,876,424
Income taxes	
Current	547,000
Deferred	135,100
	682,100
Net income for the period	<u>\$ 1,194,324</u>
EARNINGS PER SHARE	
Primary	
Income before gain on sale of fixed assets	\$.40
Gain on sale of fixed assets (net of income taxes)	.03
Net income	<u>\$.43</u>
Fully Diluted	
Income before gain on sale of fixed assets	\$.39
Gain on sale of fixed assets (net of income taxes)	.02
Net income	<u>\$.41</u>
Total common shares outstanding	2,522,388

July 4, 1979

income

ative figures for 1978 (unaudited)

chiffres comparatifs pour 1978 (non vérifié)

1978	
\$ 128,726,576	VENTES
	Coût des ventes, dépenses de vente et d'administration avant ce qui suit
122,435,694	
6,290,882	
	Moins:
905,711	Amortissement
	Intérêt sur dette à long terme
2,086,909	Autre intérêt
2,587,284	Gain sur la vente
(71,109)	d'immobilisations
2,823	Intérêt des actionnaires
5,511,618	minoritaires
	Revenu avant impôt sur le revenu
779,264	Impôt sur le revenu
88,027	Courant
146,600	Reporté
234,627	
	Revenue net pour la période
\$ 544,637	
	BÉNÉFICE PAR ACTION
	De base
\$.16	Revenu avant gain sur la vente d'immobilisations
	Gain sur la vente d'immobilisations
.02	(net de l'impôt sur le revenu)
\$.18	Revenue net
	Entièrement dilués
	Revenu avant gain sur la vente d'immobilisations
\$.19	Gain sur la vente d'immobilisations
.02	(net de l'impôt sur le revenu)
\$.21	Revenue net
	Total des actions ordinaires en circulation
2,519,098	

le 4 juillet 1979

A nos actionnaires

L'élan des affaires au cours du troisième trimestre de l'année dernière s'est continué pour Acklands au cours du semestre terminé le 31 mai 1979.

Les ventes se sont élevées à \$144.3 millions, soit 12 pour cent de plus en comparaison de \$128.7 millions au cours du premier semestre de 1978. Le revenu net a atteint un revenu de \$1.2 million au cours des six premiers mois de l'année 1979, soit plus que le double de la période comparable de 1978, où le chiffre a été de \$545 milles.

Les bénéfices par action en provenance de l'exploitation ont été de 40¢ pour le premier semestre de cette année, soit une augmentation de 150% en comparaison de 16¢ l'an dernier. Le gain sur la vente d'immobilisations au montant de \$101 milles ou de 3¢ par action, a porté le total des bénéfices par action à 43¢ pour la période.

La demande de pièces d'automobiles est très active et les ventes de fournitures et d'équipements industriels ont augmenté considérablement. Ces produits ont réussi une augmentation des ventes de presque 16% sur les chiffres de l'année dernière.

Cette tendance à la hausse continue alors qu'Acklands commence le deuxième semestre. Un élan marqué est rapporté par nos opérations à travers le pays et si cet élan est maintenu, l'année 1979 sera une année de vente sans précédent.

Le programme Bumper-To-Bumper d'Acklands progresse à un rythme rapide et plus de 200 débouchés sont maintenant ouverts. Les ventes sont fortes et une campagne radiophonique nationale lancée en mars, semble être efficace.

Une plus grande efficacité des opérations contribue aussi aux meilleurs résultats. Le programme d'ordinateurs progresse d'après les prévisions. Deux des entrepôts d'Acklands à Vancouver sont en ligne et le système s'établit avec succès en Alberta, avec très peu d'interruption à nos opérations.

Le nouvel entrepôt de Vancouver est entièrement en opération. Cet entrepôt consolide cinq unités séparées auparavant, en un grand aménagement qui se sert de l'équipement de manutention automatisé le plus perfectionné. Un autre aménagement semblable est actuellement en voie de construction à Edmonton. Ces améliorations de capital dans les systèmes de distribution et les aménagements aideront à diminuer les frais et à augmenter la productivité.

En général, la direction est encouragée par les résultats à date. La stratégie décrite dans le rapport annuel de 1978 pour améliorer l'efficacité et les profits, s'avère un succès et les perspectives d'amélioration continue apparaissent favorables.

Au nom du Conseil,

Nathan Starr

Président et Chef de la Direction

Bureau administratif
100 Norfinch Drive
Downsview, Ontario
M3N 1X2

Le 4 juillet 1979

ACKLANDS LIMITED
and subsidiary companies



ACKLANDS LIMITÉE
et ses filiales

Consolidated Statement of

Six month period ended May 31, 1979 with comp

État consolidé de l'évolution

Période de six mois terminée le 31 mai 1979 avec

	<u>1979</u>
Working Capital derived from	
Operations	\$ 2,221,227
Proceeds from sale of fixed assets	617,860
Increase in long-term debt	1,809,558
Decrease in investment in 50% owned companies	96,792
Issue of common shares on conversion of debentures	34,000
	<u>\$ 4,779,437</u>
Working Capital applied to	
Additions to fixed assets	\$ 3,802,284
Reduction of long-term debt	2,392,195
Dividends paid	708,735
Purchase of second preference shares	71,780
Increase in mortgages receivable and other investments	76,668
	<u>\$ 7,051,662</u>
Increase (decrease) in working capital	\$ (2,272,225)
Working capital at beginning of period	46,800,580
Working capital at end of period	<u>\$ 44,528,355</u>

July 4, 1979